



Third SPI Committee Meeting March 12, 2009

Topics	Discussions/ Decisions March 12, 2009	Main Follow-Up Actions
Operational Activities		
SPI Albania 2009 Program	<p>SPI Committee endorsed the proposed 2009 activity program comprising 10 projects (compared to 3 projects completed in 2008). The Bank Liquidity project has already started with advance SPI Committee approval.</p> <p>SPI Committee acknowledges that Albania's financial modernization opportunities exceed the limited capacity of SPI Secretariat. It therefore welcomes the proposed options for handling other 2009 proposed projects that could not be selected for the Activity Program such as addressing the donor community and consulting companies. SPI Committee decides, as a first action, to approach Donors' Coordination Unit in the Council of Ministers in this respect.</p> <p>Noting that the 2009 Activity Program covers projects sponsored by all institutions participating in the SPI Albania partnership, the SPI Committee agrees to eliminate the distinction between Members and Permanent Observers in the SPI Operating Guidelines.</p>	<p>SPI Secretariat will start preparations for the 9 new projects according to the proposed timetable and will report regularly on the individual progress of each of the projects.</p> <p>SPI Secretariat will prepare and send with celerity the letter to Donor's Coordination Unit requesting that SPI Albania be invited as a speaker in the forthcoming Donor Community Conference to take place in early April 2009. This would be a very good opportunity to present SPI Albania achievements and its strong assets and to ask for donors' sponsorship for handling the other 2009 stakeholders' modernization proposals. Based on this awareness raising action, Bank of Albania and Ministry of Finance will send sponsorship inquires to World Bank and EU Delegation. AAB will send sponsorship inquires to IFC and EBRD.</p> <p>Ministry of Finance will consider approaching the World Bank on the possibility to seek programmatic financing support to execute the overall modernization program.</p> <p>SPI Secretariat will follow up with AAB, BoA and Ministry of Finance in order to facilitate their communication with the donor institutions and assist with any additional material regarding the proposed projects.</p> <p>SPI Secretariat will prepare amended Operating Guidelines for approval in the next SPI Committee Meeting.</p>
SPI Albania positioning within financial modernization initiatives	<p>SPI Committee welcomes the note on SPI Albania Strategic Positioning which confirms SPI Albania's strategic role in coordinating Albania's financial modernization using a structured methodological approach. SPI Committee decides to approach Donor's Coordination Unit in this respect.</p>	<p>The above mentioned letter will also include reference to SPI Albania's capabilities to serve as a coordinating center for different donor initiatives in the financial sector modernization. SPI Secretariat will follow up with SPI Committee member institutions for feedback on the proposals outlined by the note.</p>
SPI Albania Progress Report	<p>SPI Committee warmly congratulates SPI Albania on the operational and analytical activities to date, resulting in the progress of the 4 currently active projects.</p>	<p>SPI Secretariat will work on finalizing the Cash Transactions, Consumer Financial Education, Capital Adequacy and Banks' Liquidity projects. Some of the projects' output will be presented to SPI Committee for endorsement during its next meeting to be held in early June, and some of them earlier, by circulation.</p>
Institutional and Organizational Framework		
SPI Albania Institutional Framework- Action Plan	<p>SPI Committee recognizes the need to continue SPI Albania activities and to ensure its sustainability pillars after completion of the Convergence start-up phase.</p>	<p>SPI Secretariat will follow up with SPI Committee members and with AAB Executive Committee in order to set up discussions in early April 2009 on the details of the implementation plan for ensuring SPI Albania sustainability</p>
SPI Albania Executive Management – Status Report	<p>SPI Committee welcomes the Convergence Program tireless efforts to ensure transfer of management responsibility to a local person. SPI Committee considers that permanent executive management will have to be found within the sustainability framework. It supports Convergence Program's search for a suitable interim solution, which is facilitated by the recent MoU with ABI.</p>	<p>Convergence Program assisted by SPI Secretariat will work out how best to organize ABI's support to SPI Albania and will continue to look for an interim solution, pending finalization of the institutional framework. The SPI Committee expects to have a comprehensive report prepared for discussion in the next Committee meeting.</p>

Minutes
Third SPI Committee Meeting
Thursday, March 12th, 2009
Location: Bank of Albania

Participant SPI Committee Members:

Mr. Fatos Ibrahimi	First Deputy Governor, Bank of Albania
Mr. Libero Catalano	Chairman, Association of Albanian Banks
Mr. Luigi Passamonti	Head of Convergence Program
Mr. Keler Gjika	Deputy Chairman, Financial Supervisory Authority
Ms. Mamica Dhamo	Head of Consumer Protection Section, Market Surveillance Department, Ministry of Economy, Trade and Energy

Other Participants:

Mr. Elvin Meka	General Secretary, Association of Albanian Banks
Mrs. Ramona Bratu	SPI Regional Operations Director
Mrs. Anuela Ristani	SPI Albania, Director of Operations
Ms. Endrita Xhaferaj	SPI Albania Director, Financial Modernization Program and Analytics
Ms. Evis Gjebrea	SPI Albania, Financial Modernization Program

Guests:

Mr. Pierfrancesco Gaggi	Italian Banking Association (SPI Albania Technical Partner)
Ms. Francesca Aquaro	Operations Section, European Commission Delegation Tirana

I. Welcome Note

II. Operational Activities

1. SPI Albania 2009 Program – for approval
 - a. Proposed 2009 Activity Program
 - b. Options for executing other 2009 project proposals
2. SPI Albania positioning within financial modernization initiatives
3. SPI Albania Progress Report - for information
 - α. Reducing Cash Transactions
 - β. Reviewing the Capital Adequacy Regulation
 - χ. Improving Consumer Financial Education
 - δ. Liquidity Management

III. Institutional and Organizational Framework

1. SPI Albania Institutional Framework – Action Plan
2. SPI Albania Executive Management – Status Report

IV. End of Meeting

MINUTES

I. Welcome Note

The Hosting Chairman welcomes and introduces Mr. Pierfrancesco Gaggi as guest attending the third SPI Committee meeting. Mr. Gaggi, Deputy Head of Corporate Division in Associazione Bancaria Italiana, is the appointed specialist to support SPI Albania activities as envisaged in the Memorandum of Understanding approved by the SPI Committee during the second SPI Committee meeting and signed by AAB Chairman on behalf of SPI Albania and ABI. Mrs. Francesca Aquaro is representing Mr. Aneil Sing, Head of Section – Operations, European Commission Delegation in Tirana, who couldn't attend the meeting due to a concurrent event. European Commission Delegation has been of great support in SPI Albania's efforts to assess donor institutions' activities and insure coordination with simultaneous initiatives and is especially interested on the SPI Albania 2009 program that is to be approved during this meeting.

The Hosting Chairman welcomes Mr. Libero Catalano, newly elected AAB Chairman, at his first SPI Committee meeting.

The Hosting Chairman welcomes as well the newly appointed SPI Albania Secretariat members, Ms. Endrita Xhaferaj who will serve as the SPI Albania Director, Financial Modernization and Analytics, and Ms. Evis Gjebrea, Financial Modernization Program, who assisted in running the survey and assembling the proposals for the 2009 SPI Albania Activity Program and who will support SPI Albania team up to the end of June. The Chairman welcomes also the alternate permanent observer Ms. Mamica Dhamo from Ministry of Economy, Trade and Energy.

II. Operational Activities

1. SPI Albania 2009 Program – for approval

a. Proposed 2009 Activity Program

SPI Regional Operations Manager presented the proposed 2009 activity program. The program was not designed as a simple list of projects, but as a program with an important impact on Albania's financial sector modernization. It was built-up through extensive consultations with stakeholders and donors. The questionnaire used for consultations was centered on addressing key issues raised by the Governor of Bank of Albania in the two 2008 Banking Forum meetings. This whole process served as a market test to see how the banking community follows the issues raised during the Banking Forum meetings. Indeed, the 40 gathered project proposals cover 10 out of 11 priorities outlined by the Governor and the 2009 program only answers to 6 of them. SPI Secretariat distributed, for participants' reference, copies of the Governor's speeches in the 2 Banking Forum meetings, having outlined the defined priorities.

The SPI Secretariat approached 20 local public and private institutions out of which 15 answered and 5 international donors (EBRD, EU Delegation, IFC, USAID and World Bank). Public authorities made 7 project proposals, the banking community made five new project proposals. The respondents have confirmed interest in two project proposals already prioritized in 2008 (e.g., leasing and credit scoring systems for individuals). Banks have also re-confirmed interest in additional twenty-eight of the thirty-one ideas that had been mentioned during the consultations for the 2008 Program. Eleven banks representing 85% aggregated market share have participated in the 2009 consultations. The donor community has not offered project proposals yet. Based on the votes and project proposals, SPI Secretariat assembled a tentative 2009 program activity that was pre-approved by SPI Committee members by end of February. The 2009 Program includes 3 projects proposed by both public and private institutions, 3 only from public institutions and 4 from banks.

The main Banking Forum theme of the 2009 Program is "risk recognition and management" and out of the European Central Bank criteria, the proposed 2009 program is focused on "completeness of the market". SPI Secretariat provided more details on 2009 activity program, emphasized on the nature of the projects' outputs: 6 regulatory proposals and 4 feasibility notes.

Some of the projects are well related to ABI's experience and ABI representative confirmed that their experience with 'central depository', 'settlement scheme for payments in foreign currency', and 'credit bureau', could be useful to SPI Albania.

SPI Committee congratulates the SPI Secretariat on the quality work and efforts to include the feedback of all the local stakeholders in drafting the proposed 2009 activity program. SPI Committee endorses the proposed program comprising 10 projects, noting the significant increase in the number of planned to be finalized projects in 2009 compared to three 2008 projects completed. While the Bank Liquidity project has already started with advance SPI Committee approval, the SPI Committee encourages the SPI Secretariat to start preparations for the 9 new projects according to the proposed timetable. SPI Committee welcomes all regular reporting of SPI Secretariat on the individual progress of each of the projects.

SPI Committee invites the SPI Secretariat to report on implementation progress of all SPI Albania projects in the next Banking Forum meeting.

b. Options for executing other 2009 project proposals

Albania's financial modernization opportunities vastly exceed the limited capacity of SPI Albania Secretariat. However SPI Albania has capabilities in addition to the ability to process analytical projects with working groups that could be leveraged to mobilize resources to process a broader financial modernization program. Thus SPI Albania has the ability to mobilize a large number of experts representing its stakeholders as well as administrative and convening capabilities. The significant moral authority and the high level of commitment to public-private coordination that the SPI Committee represents is also a strong asset of SPI Albania. Based on these important assets, SPI Secretariat suggests approaching the donor community for support in hiring experts to execute specific projects within the SPI Albania institutional framework.

ABI's representative suggested also to address consulting companies for performing the analytical work under SPI Albania projects, underlining the good experience they had in this respect.

SPI Committee acknowledges that Albania's financial modernization opportunities exceed the limited capacity of SPI Secretariat. It therefore welcomes the proposed options for handling other 2009 proposed projects that could not be selected for the Activity Program such as addressing the donor community and consulting companies. SPI Committee decides, as a first action, to approach Donors' Coordination Unit in the Council of Ministers in this respect. SPI Committee invites the SPI Secretariat to prepare and send a letter to Donor's Coordination Unit requesting that SPI Albania be invited as a speaker in the forthcoming Donor Community Conference to take place in early April 2009. SPI Committee considers this a good opportunity to present SPI Albania achievements and its strong assets and to ask for donors' sponsorship for handling the other 2009 stakeholders' modernization proposals.

Based on this awareness raising action, Bank of Albania and Ministry of Finance may send sponsorship inquires to World Bank and EC Delegation. AAB will send sponsorship inquires to IFC and EBRD and Ministry of Finance may consider approaching the World Bank on the possibility to seek programmatic financing support to execute the overall modernization program.

Noting that the 2009 Activity Program covers projects sponsored by all institutions participating in the SPI Albania partnership, the SPI Committee agrees to eliminate the distinction between Members and Permanent Observers in the SPI Operating Guidelines. SPI Secretariat will prepare amended Operating Guidelines for approval in the next SPI Committee Meeting.

2. SPI Albania positioning within financial modernization initiatives

Convergence Program presents to the SPI Committee a proposal on the SPI Albania positioning within financial modernization initiatives. SPI Albania has the infrastructure and processes to mobilize local expertise, to run extensive consultations with stakeholders, to assess the impact of proposed laws and regulations and to help their enactment under a robust transparency framework, based on international best practice. Projects under SPI Albania's aegis will benefit from important costs and knowledge benefits owing to growing scale and network effects. SPI Albania could thus represent a natural coordination mechanism among various modernization initiatives while supporting specific financial modernization projects.

SPI Committee welcomes the note on SPI Albania Strategic Positioning which confirms SPI Albania's strategic role in coordinating Albania's financial modernization using a structured methodological approach. SPI Committee decides to approach Donor's Coordination Unit in this respect. In the same letter addressed to the Donors' Coordination Unit asking for SPI Albania's participation in the Donors' Conference, SPI Committee suggests to also include reference to SPI Albania's capabilities to serve as a coordinating center for different donor initiatives in the financial sector modernization

3. SPI Albania Progress Report

SPI Committee warmly congratulates SPI Albania on the operational and analytical activities to date, resulting in the progress of the 4 currently active projects.

SPI Secretariat will work on finalizing the Cash Transactions, Consumer Financial Education, Capital Adequacy and Banks' Liquidity projects. Some of the projects' output will be presented to SPI Committee for endorsement during its next meeting to be held in early June, and some of them earlier, by circulation.

III. Institutional and Organizational Framework

1. SPI Albania Institutional Framework – Action Plan

In SPI Committee November meeting, Convergence Program has outlined the SPI Albania Feasibility Framework for its sustainability after completion of the Convergence Program start-up support phase. The main conclusion was that SPI Albania should be organized as a non-profit legal entity, handling the current reform activities, with the current secretariat composition and part time management, sharing location facilities with AAB and being operationally integrated with the latter, in order to increase efficiency in using resources.

SPI Committee reinforces the idea that SPI Albania's activities have to continue after the completion of the Convergence start-up phase and recognizes, thereof, the need to establish the institutional sustainability pillars. SPI Secretariat will follow up with SPI Committee members and with AAB Executive Committee in order to set up discussions in early April 2009 on the details of the implementation plan for ensuring SPI Albania sustainability.

2. SPI Albania Executive Management – Status Report

Convergence Program reported on its efforts to ensure executive management continuity for SPI Albania - a key issue of SPI Albania's transfer to local operations and financial responsibility. After an extensive exploration and based on the need to consolidate SPI Albania's analytical approach while maintaining a "honest broker" approach, Convergence Program came to the conclusion that a three-person Management Committee would be the most appropriate solution to meet SPI Albania's coordination needs.

In addition, Convergence Program arranged for a one-year technical assistance from Italian Banking Association comprising oversight and strategic support to SPI Committee as well as management support to SPI Albania during April-December 2009 period.

Convergence Program informed the SPI Committee that it has started to look for alternative management solutions, covering at least an interim period, until SPI Albania's complete transfer under local ownership.

SPI Committee welcomes the Convergence Program tireless efforts to ensure transfer of management responsibility to local stakeholders and considers that permanent executive management will have to be found within the sustainability framework.

SPI Committee encourages Convergence Program that, assisted by SPI Secretariat, to continue working in establishing the best organizational option for ABI's support to SPI Albania and to continue to look for an interim solution, pending finalization of the institutional framework. The SPI Committee expects to have a comprehensive report prepared for discussion in the next Committee meeting.

IV. End of Meeting

SPI Committee congratulates the SPI Secretariat for the work conducted to date and is thankful to Convergence Program for its continuous support and management guidance on the efficient and timely achievements of SPI Albania Activities.