



Proposed Convergence Involvement in Croatia Securitization Project:

Consultant as an interfacing role between the Industry Working Group and the Ministry of Finance

ANDREA CALVI

I. Background

Convergence is a World Bank-sponsored program with the mission to facilitate public-private cooperation in financial market-building activities, in partnership with other institutions. It is set up to assist the authorities and market participants in the SEE countries on the formulation of financial sector wide policies and promote active participation of major stakeholders in the identification and implementation of such policies.

By means of the Convergence platform, public and private sector, industry and consumer associations are supposed to maintain a transparent and effective policy dialogue and formal consultations on several issues pertaining to the development of financial sector in these countries.

II. Context

In Croatia, the Ministry of Finance encouraged the banking sector to establish a working group to assess the legal and regulatory framework requirements for securitization transactions. The intent is to use this market based assessment as an important input for the improvement of the legal framework. The Croatian Banking Association (CBA), has supported the idea and has approved the project plan and the budget for the Securitization Project in Croatia. As a result an industry-led working group was established to start the regulatory review.

To enhance the likelihood that the preparatory work be effective for policy purposes, the Ministry of Finance sought the availability of independent international advice throughout the process. Given the high potential for the development of Croatia's financial market, Convergence together with the EBRD offered assistance to support the Ministry of Finance and CBA in reviewing and improving environment for securitization transactions.

Following the formal request for assistance from the Ministry of Finance, Convergence and EBRD agreed to co-manage this project. An EBRD staff member, Senior Policy Advisor at the EBRD's Financial Institutions Group, was nominated as Project Director. The Project Director will represent Convergence, as an honest broker, with both authorities and market participants. He will manage the professional



resources that Convergence will be mobilising to support this project, in partnership with a variety of European public and private institutions.

III. Project Scope

The Convergence/EBRD will provide support in the following areas:

- 1) To help the Ministry of Finance to maintain overall leadership throughout the preparation process by monitoring on its behalf the technical work to be conducted by the industry working group;
- 2) To help mobilize necessary technical support to enhance the policy relevance of the working group deliberations;
- 3) To help the Ministry, and other relevant authorities, assess the policy relevance of the final report by the industry working group.

Under the first item, Convergence envisages to appoint a permanent representative (the Consultant) to the industry group whose terms of reference are outlined herebelow.

IV. Task and objective

The Consultant shall:

- act as an “honest broker” to both authorities and market participants, and therefore will be a part of all industry working deliberations, including all communications, written and oral, the group will have with local authorities;
- attend the relevant meetings of the industry working group as a permanent member in a non-executive capacity where he/she will exercise indirect and soft influence to ensure that the work processes and the output of the working group will not deviate from objectives that would be acceptable to the authorities;
- he/she will make it known to the industry working group, orally or in writing if necessary, the Convergence suggestions regarding scope, direction and methodology of the work;
- communicate and document all the proposals and stances from Convergence to the working group, copying if necessary the authorities;
- as the Convergence representative in the working team maintain a constant dialogue with the authorities, supported by additional technical experts that may work for the Convergence team;
- prepare monthly reports on the status of work within the industry group, reflecting progress, problems, needs identified during the reporting period;
- to create and manage a channel of interaction with the Ministry of Finance, the Ministry of Justice and the National Bank of Croatia, in



order assure that authorities and the industry working group go ahead at the same pace.

The objective of his involvement is to ensure that the technical work undertaken by the industry-led working group will form the basis for the pre-legislative policy development work that the Ministry of Finance may undertake later.

V. Reporting and Governance Arrangements

The Consultant reports to the Project Director. The Consultant will keep the Project Director closely and accurately informed of all the activities undertaken in and around the industry working group. He/she will discuss with the Project Director major issues ahead of each industry working group meeting and any initiative taken with authorities. The Consultant will keep precise minutes of the industry working group discussions, making specific reference to his/her interventions and the reactions thereto. Upon completion of the industry working group deliberations, the Consultant will write a final report summarizing the activity done and providing an assessment of its alignment with generally accepted public policy objectives.

The reporting activity will consist of the two following procedures to be held regularly:

- a) briefing to the Consultant before working group meetings;
- b) de-briefing from the Consultant (when meetings take place on Fridays, the Consultant is expected to de-brief by the following Tuesday). The de-briefing flow, in its turn, will have the format indicated below:
 - i) who attended the meeting;
 - ii) what has been said;
 - iii) what the Consultant has said and what reactions this has generated;
 - iv) the issues under way and the issues on the agenda in the next meeting;
 - v) issues that the Consultants deems to communicate to the Project Director;
 - vi) There will be also an "Annex" where the Consultant is expected to brief the Authority. This briefing is bound to the Project Director for approval who then will send this to the Ministry of Finance. :

VI. Administrative Arrangements

The Consultant will report to Mr. Riccardo Brogi, Head of the Convergence Management Unit, for all administrative requirements of his/her STC contract funded through the Convergence Trust Fund, administered by the World Bank.

VII. Activity Budget

The Consultant will be entitled to bill for each day spent to attend the industry working group activities and to meet with the authorities in Zagreb, as authorized by the Project Director. He will be entitled to bill a reasonable amount of full-time equivalent (FTE) working days for off-site preparatory and follow-on work. It is anticipated that this latter work should not exceed two working days/month. Travel



costs will be reimbursed according to standard World Bank guidelines. Mr. Calvi will be paid a daily fee of ████████ (net of taxes).