



SPI Adriatic Concept Outline



Prepared by the Convergence Program
EBRD/Regione Puglia Discussions
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The SPI Concept

- New generation of financial sector TA
 - Operating platform moves to countries
 - Local public-private stakeholders decide priorities
 - Brings in market participants and consumers as partners
 - Leverages domestic capabilities
 - And bank HQ resources
 - Uses international consultants only if needed
 - Resources and incentives to deal with large-scale modernization programs
 - Like in advanced markets
- Proven successful in Romania
 - www.spi-romania.eu

The SPI Set-Up

SPI Committee: ex-ante agreement on public-private priorities and push for prompt enactment of proposals

- Ministry of Finance, Central Bank, Bank Association, Consumer Protection Agency

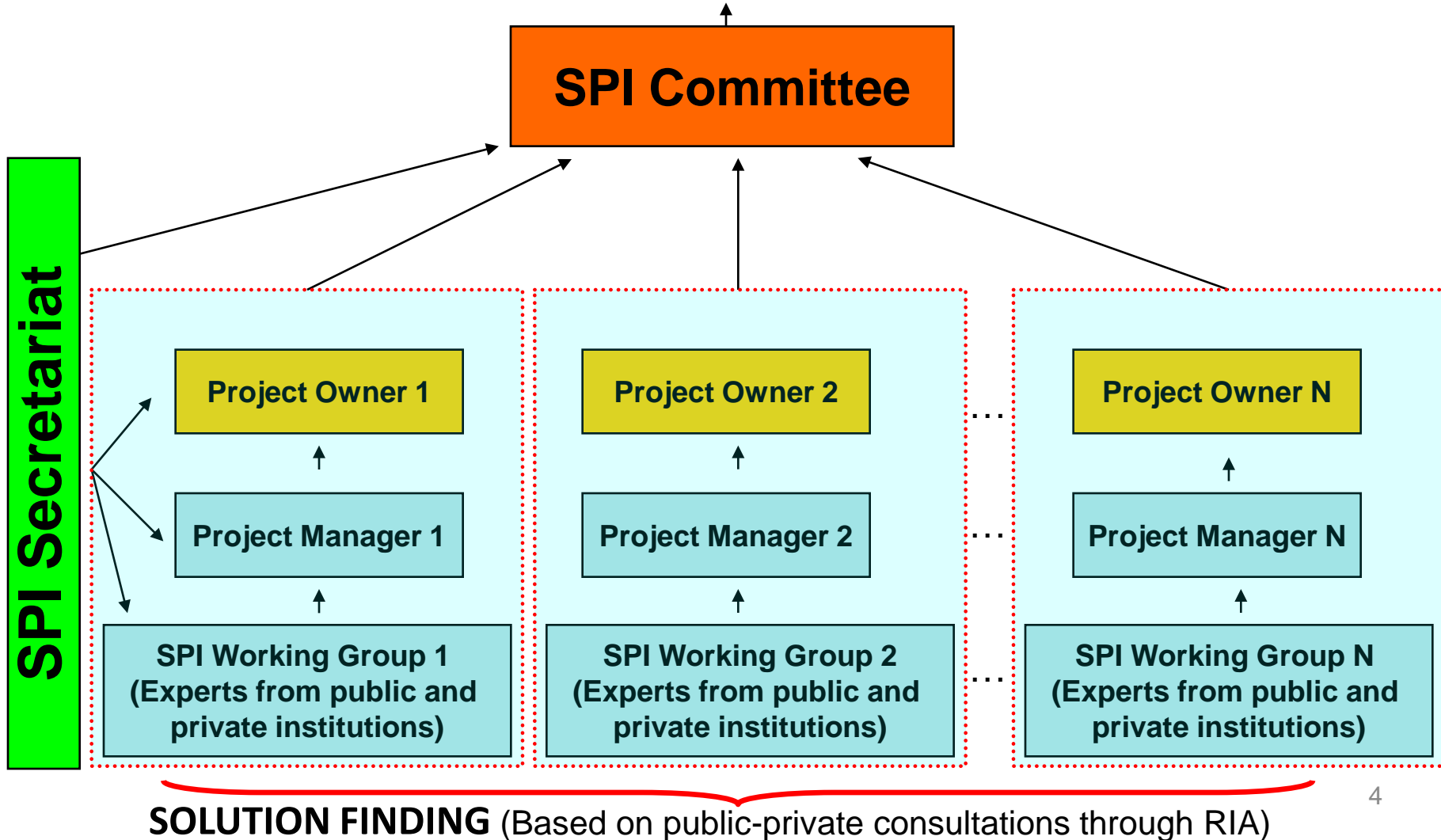
Working Groups: to prepare solutions based on their collective expertise and facilitate public-private technical consensus

SPI Secretariat: the “engine” of the structure

- “Executive Project Manager”

The SPI Set-Up (2)

SOLUTION ENDORSEMENT AND ENACTMENT



The SPI Results: Romania 2008

Italian Banking Association CRITERIA	European Central Bank CRITERIA				
	Asymmetric information	Completeness of the market	Increased opportunities to engage in financial transactions	Reduced transaction costs	Increased competition
Business development		<ul style="list-style-type: none"> 1. Increasing bank lending under PPPs 5. Modernizing T-bill regulatory framework 11. T-bills OTC market organization 12. Environmental Lending 23. Promoting refinancing through securitization 24. BSE Listing T-bills 	<ul style="list-style-type: none"> 2. Co-financing with EU structural funds 3. Standard repo transactions 4. Development of Interbank Direct Debit 25. Securing down payments made by individuals for real estate projects 26. Supporting thermal rehabilitation of houses 27. Developing lending to municipalities 		
Industry competitiveness	<ul style="list-style-type: none"> 28. Database for risk rating the corporate clients 29. Centralized database for AML purposes 		<ul style="list-style-type: none"> 17. Electronic employment register and services 19. Loan-loss & Mortgage Loan Databases (2007) 20. Law on bank letters of guarantee (2007) 22. Improving access to and availability of the basic banking products 	<ul style="list-style-type: none"> 6. Reviewing bad debts recovery procedures 14. Improving account stopping regulation 15. Reducing the paper-based documents 16. Centralized tax roll 21. The banks' future contributions to RDGF 	<ul style="list-style-type: none"> 13. Various EU – related payment initiatives
Industry reputation	<ul style="list-style-type: none"> 30. Better information on saving products 	<ul style="list-style-type: none"> 7. Bank ethics code 8. Expanding banking mediator 31. Ombudsman knowledge transfer 	<ul style="list-style-type: none"> 9. Basic bank products info 10. Basic bank products Advice 32. Enhancing corporate social responsibility in the banking industry 	<ul style="list-style-type: none"> 18. Improving NACP –RBA cooperation framework for consumer protection 33. Improving the quality of the education and professional training in the banking field 	<ul style="list-style-type: none"> 34. Enhancing financial consumer's protection 35. Responsible borrowing
	3	9	13	7	3

Legend: Focus projects Projects Other potential projects

SPI: A *Better Regulation* Platform

Steps	Purpose
Scoping of problem	
1. Problem identification	To understand if a market/regulatory failure creates the case for regulatory intervention.
2. Definition of policy objectives	To identify the effects of the market /regulatory failure to the regulatory objectives.
3. Development of “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

SPI Albania

- Local stakeholder commitment: 9 January 2008
- Launch: 19 January 2008
- SPI Secretariat in place: 1st April 2008
- SPI Program approval: June 2008
 - Target: 10 projects
- 1st SPI Projects completed: October 2008

- 2008 Funding: Convergence + EU
- 2009-2013 Funding: EU IPA?

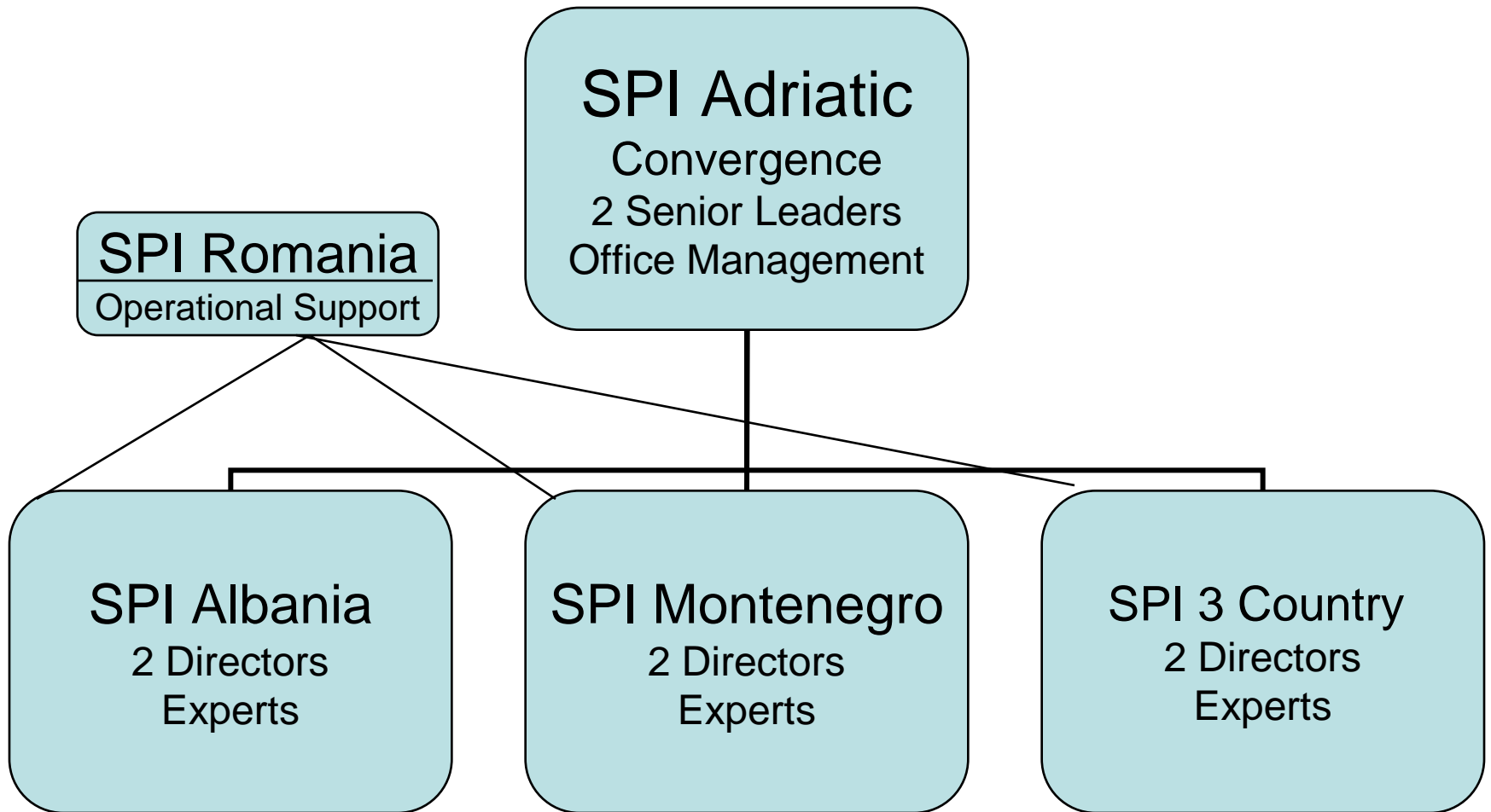
Beyond Albania: SPI Adriatic

- Many common modernization issues
 - Target: harmonization with EU financial market
 - Perimeter: Albania, Kosovo, Macedonia, Montenegro, Serbia
- Strong desire for common solutions
 - Regional host supervisor collaboration
 - Strategic bank investors
- Country SPIs will form a network
 - Sharing expertise
 - Tackling regional infrastructure
 - SPI Romania already active provider
- Substantial economies of scale
 - One country SPI: EUR30k/project
 - Three country SPI: <EUR20k/project
 - Five country SPI: very low cost

SPI Adriatic Phases

- Phase 1
 - Albania and Montenegro (publicly committed)
- Phase 2
 - Serbia (contacts underway)
- Phase 3
 - Kosovo and Macedonia

SPI Adriatic Organization



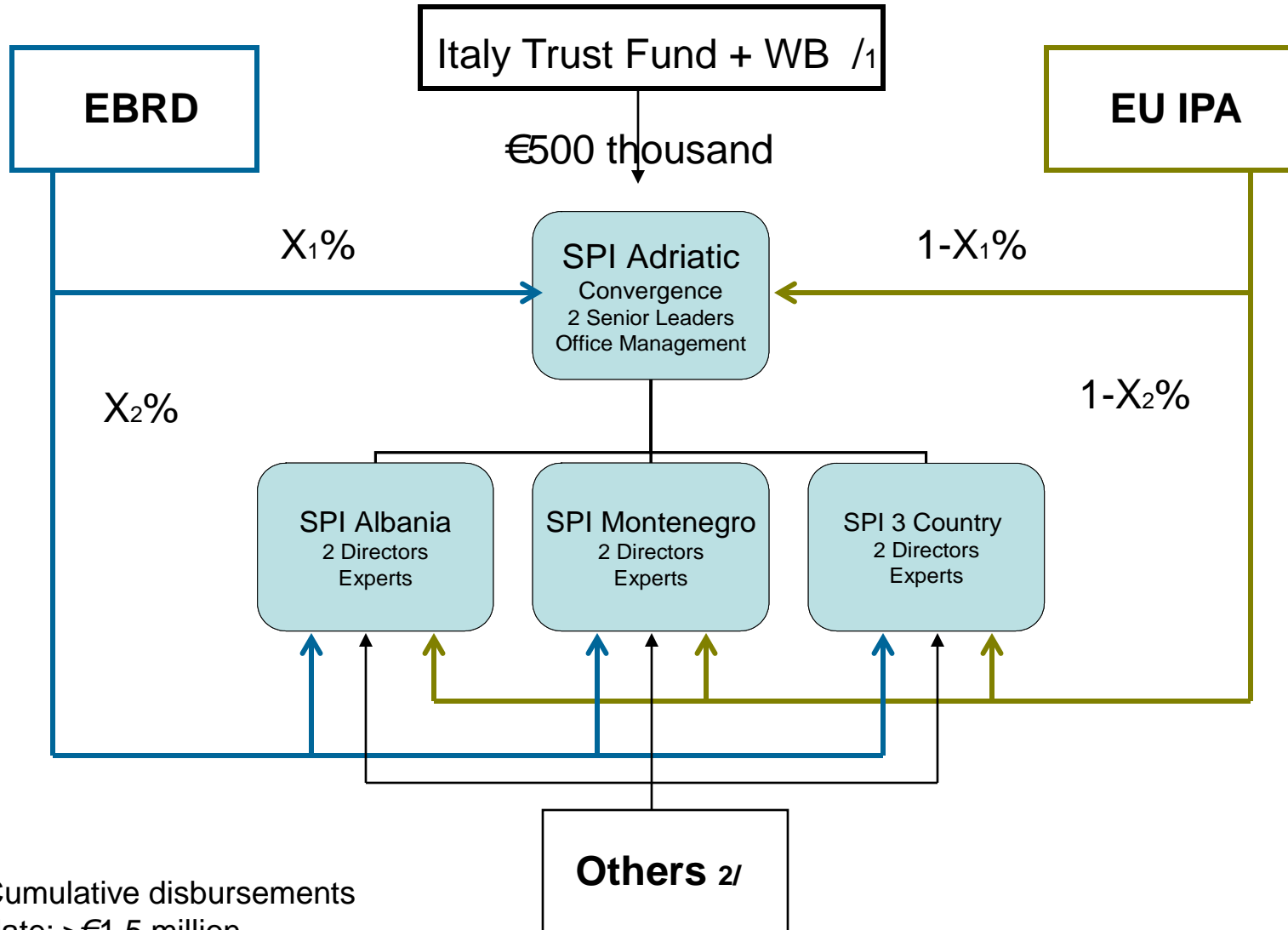
SPI Adriatic Budget

Indicative Budget (Euro) Component	1-Country Operations p.a. 2009-2013	3-Country Operations p.a. 2009-2013	5-Country Operations p.a. 2009-2013
Convergence Management	154,700	304,571	304,571
SPI Secretariat	80,000	230,000	320,000
Experts	50,000	100,000	150,000
Travel	30,000	50,000	100,000
Total	<u>314,700</u>	<u>684,571</u>	<u>874,571</u>

5-Year Program Cost	1,573,500	3,422,857	4,372,855
Program Cost/country/year	314,700	228,190	174,914

Total projects/year	10	27	35
Projects/country	10	13	15
common	0	6	10
country-specific/country	10	7	5
Project cost/country	31,470	17,553	11,661

SPI Adriatic Funding Arrangements



1/ Cumulative disbursements
to-date: >€1.5 million

2/ Bilateral public and private donors

Funding Priorities & Indicative Amounts

1. SPI Albania operations from July 2009
 - A two-year commitment (EUR500k)
2. SPI Montenegro launch fall 2008
 - A three-year commitment (EUR600k)
3. Third SPI platform launch early 2009
 - A three-year commitment (EUR400k)

Proposed Timeline

- Structuring and fund-raising discussions:
January-April 2008
- Fund-raising documentation
June 2008
- SPI Montenegro operational by end-2008
Conditional upon SPI Adriatic launch
- SPI Adriatic network completed by end-2009
Three-plus countries

Funding Considerations

- Funding arrangements to reflect donor preferences
 - Regional coordination vs. country operations
- Bank strategic investor co-funding?
- Governance arrangements
 - Donors and users/beneficiaries
- SPI Adriatic domicile
 - WB Rome Office available through 2009
 - New donors will decide new location

The SPI Adriatic Network

