

**Review of World Bank Group Support to
Structured Public-Private Dialogue for
Private and Financial Sector Development**

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bring to bear the perspective of international investors together with the knowledge of local business and government leaders.

Like other PPD platforms, PIACs are also centered around a Forum, Working Groups and a Secretariat. However, efforts are guided and strongly influenced by the direct involvement of the country's President, and the representation of the private sector is much smaller, concentrated on a small number of business leaders both local and international.

2.1.3 The World Bank-supported Convergence Special Projects Initiative (SPI) Program

Launched in 2005 by the World Bank with support from Italy's Ministry of Economy and Finance, the Convergence Program SPI focuses on financial sector modernization⁹ through structured dialogue centered on micro regulatory financial sector reforms. It retains the common PPD structure of a Secretariat, Working Groups and a higher level oversight body.¹⁰

Under a "BOT" concept (Build-Operate-Transfer), the aim of Convergence SPI is to help authorities and market participants set up a partnership (SPI Platform) to prepare micro-regulatory reform proposals based on "Better Regulation" analytical methods. The idea is that local public and private stakeholders decide the program, including the scope of activities to address and the engagement of international consultants, and where unanimous agreement is required for all actions. Local stakeholders are also responsible for SPI's sustainability; the plan is for local stakeholders to take operational and financial responsibility for the SPI Platform after a two-year Convergence Program involvement.

SPI was initially launched in Romania and became operational there in September 2006. Within a space of 15 months it was responsible for the full implementation of 10 reforms, either legislative action initiated by the Cabinet or by MoF, or self-regulatory decisions endorsed by the Romanian Bankers Association (RBA). By early 2008 SPI Romania was fully owned by local institutions and nearly 100% financed by them. The Convergence Program's mandate, renewed in December 2007, ends in 2009. SPI has since been launched in Albania (early 2008), is about to receive a mandate to start a Moldovan operation, is in discussions with the European Banking Federation to operate SPI Platforms in Eastern Europe, and is launching SPI Bangladesh, SPI Nepal and SPI Sri Lanka.

2.2 PPDs: The Impact of Structure on Performance

2.2.1 The Evaluation Wheel

The PPD Handbook uses a tool called the "Evaluation Wheel" to visually evaluate different aspects of a PPD. The Wheel addresses all 12 elements of the PPD Charter¹¹ considered as essential contributors to an effective PPD process, and is a

⁹ Financial sector modernization is defined as the process of financial innovation and organizational improvements in the financial system which: (i) reduce asymmetric information; (ii) increase the completeness of markets; (iii) increase opportunities for agents to engage in financial transactions; (iv) reduce transaction costs and (v) increase competition.

¹⁰ In December 2008 this reviewer spent one week in Albania to assess the SPI Albania financial sector reform program.

¹¹ Charter of Good Practice in Using Public Private Dialogue for Private Sector Development, from the International Workshop on Public Private Dialogue.

The order of performance of the PPDs in terms of average score for the 12 indicators is as follows:

Country	Year Established	Total Score	Average Score
Cambodia	1999	94.50	7.88
Vietnam	1997	91.75	7.65
SPI Romania	2007	89.25	7.44
Laos	2005	88.75	7.40
SPI Albania	2008	88.63	7.39
Uganda	2004	81.25	6.77
Liberia	2007	78.00	6.50
Bangladesh	2007	75.00	6.25
Ghana	2002	72.00	6.00
Pakistan	2008	65.50	5.46
Zambia	2007	64.75	5.40
Belarus	2007	64.25	5.35
Sierra Leone	2007	60.50	5.04
Chad	2008	58.50	4.88
Tonga	2005	58.25	4.85
Vanuatu	2008	57.75	4.81
Aceh	2008	55.50	4.63
Timor Leste	2008	50.25	4.19
South Sudan	2007	39.50	3.29
CAR	2007	38.75	3.23
North Sudan	2007	37.75	3.15
Nepal	2008	37.25	3.10
Cameroun	2008	34.75	2.90
Ethiopia	2008	31.25	2.60

The Evaluation Wheels as developed are presented below. Only 24 wheels were developed due to lack of data availability for a number of PPDs under scope.

2.2.2 Convergence SPI: Confirming the Essentials

The impressive achievements of the Convergence SPI Program in Romania (and now Albania) in its initial phase of operation have produced substantial quantifiable benefits for the banking sector and the economy in those countries. From SPI Romania's first full year of operations, total additional loan volume arising from SPI reforms has been estimated at 236 million EUR, while total cost savings to banks and consumers have been estimated at 73 million EUR. Specific examples of SPI Romania reforms and their impacts are as follows:

- Expansion of positive credit information sharing – a potential increase of EUR 130 million in lending volume;
- Rural lending reforms – estimated additional annual lending of EUR 104 million;
- Anti Money Laundering Law - EUR 11 mln/year net benefits for the banking community;
- Electronic Processing of Debit Instruments - EUR 30 mln/year net benefits for banks.

From SPI Albania, reforms of the civil procedure code to improve auction procedures for immovable collateral under foreclosure have produced the following impacts:

- 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 seven places.
- Benefits or cost savings for the creditor will be achieved through the increased debt recovery ratio and the earlier usage of "frozen" funds i.e. bad loans under foreclosure. 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).

The Convergence SPI Program is still young and relatively untested, and arguably has been introduced in countries (and sectors) which can be considered relatively more "ripe" for reform. In Albania, the previous track record of cooperation between financial sector authorities and the banking sector, the strong international banking sector presence, and the lure of EU integration – probably gives SPI Albania a "head start" over other PPD Forums, making comparisons somewhat difficult. Indeed, SPI probably needs to be further tested before any sort of comprehensive evaluation is made. That test is coming in 2009, with more ambitious initiatives now being addressed in Eastern Europe and its expansion as a platform into Asia.

Nevertheless, SPI performance to date along with the achievement of numerous "soft" outputs such as a fundamental transformation in the way that dialogue is carried out - demonstrates that much can be mined from focus on a single sector and where a broad and robust project selection process is in place. As Luigi Passamonti (Head of the Convergence Program) says, "it also underlines the impacts achievable through adherence to a meticulous approach to Working Group membership, issue selection, a rigorous training program for Secretariat staff, and a strong analytical emphasis".

Below are some of the most noteworthy aspects of Convergence SPI:

- SPI's rigorous approach to hiring, training and monitoring a Secretariat is revelatory; this includes dividing the role of the Secretariat into 5 distinct phases for each issue being addressed to better appreciate the changing dynamic of the Secretariat's work over time.
- Its efforts to introduce a culture of Regulatory Impact Assessment/cost benefit analysis is a unique accomplishment within the PPD pantheon.

- The enormously high productivity of the SPI Secretariats.¹³
- The strict guidance provided to the Secretariat by the regional Convergence Program, allowing Convergence to move away from direct operational engagement to quality control in less than 6 months.
- Development of an Operations Manual describing the roles of each SPI actor and the process to be used for moving issues forward.
- An initial focus on “low hanging fruit”, i.e. on issues of interest to local stakeholders and/or where previous reform efforts have already been made.
- Creation of the “Project Owner” position – as a bridge between the high level Committee and the Working Groups.
- The balanced criteria used to prioritize reforms, focusing on: (i) time frame; (ii) impact, and (iii) balance among activity areas
- The level of documentation - of issues, analysis and progress, and the degree of standardization of all key Forum documents (Operations Manual, reporting, project Terms of Reference, Project Scoping documents, meeting minutes).
- Easily accessible information to explain the SPI initiative, including a Handbook on “How to Launch and Run an SPI Platform to Support Financial Sector Modernisation, and the availability of all key documents on CD ROM.
- A clear and convincing presentation of achievements and quantifiable impacts.
- The attention to internal planning and the quality and consistency of external reporting, including monthly updates, an annual report, and a Web Site.
- Innovative steps taken to ensure effective local engagement and high impact outputs. These include:
 - Questionnaires disseminated to identify potential projects
 - Letters of invitation to individuals to join PWGs
 - A Problem Scoping document developed for each project
 - Internal lessons learned sessions involving Working Group management teams
 - Thank you letters to Project Working Group members from the SPI Committee, acknowledging their efforts
 - A rigorous recruitment process for the Secretariat, including all-day interviews, joint interviews with qualified candidates who were not interested in the job (as a way of building team dynamics), and the inclusion of teamwork exercises (analysis, recommendations, advocacy)
 - Hands-on management support by the Head of Convergence in the initial stages. This included 95% of each morning working with them - over Skype and through emails, a detailed task-by-task weekly planning of activities, combined with monthly planning and SPI Committee preparation planning.¹⁴

¹³ In just 6 months, the SPI Albania Secretariat has carried out the following: Drafting of Committee Operating Guidelines; Interviews with banks and authorities; Development of Background Notes & Drafted ToRs for specific issues; Relationship building with other international institutions; Designed and finalized Website layout and regularly updating it; Development of SPI Identity/logo; Organization of Project Working Group (PWG) meetings; Organization of Committee meetings; Participation in local and international meetings and conferences; Organization of advocacy meetings in support of specific reforms; Developed, disseminated and analysed findings from questionnaires; Information collection from other government entities; Development of background notes on international experience; Compiled draft list of regulations impacted by first SPI project; Organized presentation by Italian Association of Banks; Information dissemination to all PWG members; Development of Scoping of the Problem document for all initiatives; Carrying out RIA; Organised seminars and training on RIA; Designing and administering questionnaires to banks in support of specific prioritized issues; Regularly briefing PMT and Committee; Drafted invitation letters to individuals for participation in PWGs; Drafted letters for POs to send in support of reforms; Summarized/aggregated PWG members' inputs and drafted their recommendations; Collected illustrative examples of banks' difficulties with bailiff's office; Sent documents to relevant authorities; Screened proposals to sponsor a national research study; Created document describing complete cycle of mortgage creation; Preparation of information packages for Committee meetings; Prepared and delivered internal lessons learned session for all PMTs.

¹⁴ Through this intensive management support, one of the original Romania SPI Secretariat staff (who is now the Convergence Regional Manager) is now able to manage SPI Albania (at distance from Bucharest) with full autonomy regarding operations.

- The RIA tool has become an accepted analytical standard in the banking community; the Bank of Albania's development of its own RIA tool plus its delivery of RIA training in the region demonstrates the degree of buy in.
- The transition to local ownership in Albania is being actively addressed even at this early stage. This includes research on institutional options, written proposals submitted to the AAB, and discussions with individual banks about their financial support. The planned hiring of a General Manager within the Secretariat (by early 2009) to oversee this transfer, and the signing of a MoU with Tirana University in January 2009 (to ensure logistical and analytical support) are steps being taken to reinforce local sustainability. The SPI Regional Operations Director will transfer management and analytical knowledge until June 2009. The June 2008 Note on Incorporation of SPI Albania as legal entity addressed: (i) role of the Central Bank and possible restrictions; (ii) Board representation; (iii) scope of the new entity's mandate; and (iv) sources of financial support.
- An emerging regional SPI talent pool and management capacity.

2.2.3 PIACs: Risks and Rewards

The performance of the Africa based Presidential Investor Advisory Councils (PIACs) is testimony to both the risks and opportunities which PPD offers. On the one hand, the impact can be startling as in Uganda, where the PIAC is strongly supported by a country President, where the PPD's mandate has become embedded into the Government decision-making process, and where SMEs and local business associations are engaged. The Uganda example over the period 2006-2008 contrasts starkly with Ghana¹⁵, and demonstrates the stagnation that can result when a President loses interest and frequent changes take place at the top echelons in Government. The essence of the PIAC structure – involving relatively few members of the private sector - also raises the more challenging question of whether a focus on a broad magnitude of reform can coexist with deep and broad-based local engagement, and whether a PIAC's existence will stand in the way of the emergence of indigenous advocacy capacity in the private sector. The Uganda PIAC, fortunately, has demonstrated that these outcomes are possible to a degree, and for this and other reasons deserves closer study.¹⁶ The Senegal PIAC also appears to be very productive and operates effectively, although more information is needed to substantiate this claim.

The April 2005 World Bank review¹⁷ cited PIACs as the most effective, credible and visible PPD mechanism in all 5 African countries where they were then operating. The report stated that their value added was the strong positive impact in fast tracking existing reform proposals (as opposed to new proposals), largely because they operated in an atmosphere of discipline and pressure for action – thanks in great part to direct Presidential involvement - that no other PPD had come close to being able to match. Other positive observations of note in the 2005 review included:

- (i) the motivation of Government and private sector representatives selected to participate;
- (ii) the emphasis on sector-specific reforms;
- (iii) the advantages of being hosted by entities closely aligned to the Office of the President;
- (iv) effective issues tracking systems and Action Plan matrices; and

¹⁵ The Ghana GIAC scores relatively highly on the Evaluation Wheel used as part of this analysis based on its overall level of performance since inception. However, from early 2006 to late 2008 not a single PIAC Forum was held, which has damaged its momentum and impacted relations with stakeholders.

¹⁶ Except for the PIACs in Ghana and Uganda, it was difficult to obtain information on the PIACs.

¹⁷ Presidential Investors' Advisory Councils in Africa: Impact Assessment Study, May 2005