



SPI Platform Toolkit

*How Can a Banking Association Promote
Financial Sector Modernization in Collaboration
with Authorities and Other Stakeholders*

European Banking Federation/World Bank's "Convergence" Programme

November 2009



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Gained in the Context of: The World Bank's Convergence Program - www.convergence-see.eu

WELCOME NOTE

As part of the services that the European Banking Federation provides to its Associates, I am happy to make available this *Toolkit*, based on experience of the World Bank's Convergence Program, which will help our Associates play an even more important role in stimulating financial modernization in their own countries.

Through its structured public-private cooperation focused on removing obstacles to fluid financial intermediation, the SPI Platform initiative helps better align the banking industry activities with the needs of the real economy – and contributes to a more balanced post-crisis response. Tightening prudential regulations, while necessary, can stifle the economy in the absence of measures to revitalize financial intermediation.

Furthermore, the SPI Platform itself, which is based on the principles of transparent evidence-based professional dialogue and consensus-driven recommendations, embodies the values that have been informing the public engagement of the European Banking Federation with its public counterparts.

Therefore, helping its Associates promote SPI Platforms in their own countries is a small contribution that the European Banking Federation makes to constructive and responsible public-private dialogue for sustainable economic prosperity in candidate and other countries in Eastern Europe.

Guido Ravoet
Secretary General
European Banking Federation
November 2009



FOREWORD

The Chairman and Secretary-General of a banking association occupy one of the most senior positions in the society of a country.

The authorities and society look to her or him to exercise constructive leadership in the sector that protects the country's savings and builds future prosperity. Under their leadership, competitive activities by individual financial institutions can converge, with positive impacts on the welfare of society; financial institutions can enhance their cooperation to modernize standards and services that affect the entire economy; and banks can launch initiatives that bring them closer to their clients.

This position of authority also carries special obligations. As Chairman and Secretary-General help to shape the collective views of the banking sector on actions by authorities and other stakeholders, they have direct influence on how your country governs itself. Expertise, balanced judgment and a sense of the collective good are therefore essential attributes: their position gives unique insights into how well banks support the needs of the real economy, and into changes to the legal and regulatory environment that would enable enhanced support.

Yet in many countries banking associations have not had many opportunities to equip themselves to carry out such actions in support of the public good.

This *SPI Platform Toolkit*, which is a result of visionary work by the World Bank with financial support from Italy's Ministry of Economy and Finance, is intended as a guide for the senior leaders of banking associations that are Associates of the European Banking Federation to increase their contribution to the prosperity in their countries through financial sector modernization.

The SPI Platform catalyses collaboration among authorities, bank clients and financial institutions to identify a modernization program that meets their collective interests and to work out together the solutions that will enhance the contribution of finance to the economy.

The detailed, transparent step-by-step process of the *SPI Platform Toolkit* enables a banking association to engage with the authorities and other stakeholders to launch a large financial modernization program, leveraging the unique financial and intellectual resources of the banking sector. The SPI Platform itself can become the instrument of choice for the banking community to make itself a champion for economic prosperity – and raise the public profile and influence of its leadership.

I am grateful to the European Banking Federation for agreeing to publish this *SPI Platform Toolkit* to contribute to the institutional growth of its Associates in Eastern Europe.

Luigi Passamonti
Senior Adviser, World Bank and
Head and Founder, Convergence Program
October 2009

PREFACE

It is a privilege for anyone to have the opportunity to leave the mark of his professional experience. It is a privilege also to be part of a new and innovative concept, to nurture it and to grow with it. And it is a pleasant duty to pass on the experience and share the acquired knowledge.

For these reasons I was happy to respond to the opportunity granted by EBF to pass on the essence of my last three years of work and to make my experience and understanding helpful to others who believe in the force of dialogue and of partnerships.

I hope that this *Toolkit* leads the reader to the conclusion that the SPI Platform is an effective way of doing things for the benefit of the financial sector, that it provides a recipe for smooth implementation and that it encourages more such initiatives.

Ramona Bratu
Former SPI Regional Operations Manager
and SPI Romania Director for Bank Products and Services
October 2009



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¹ Chapters and Annexes can be downloaded from <http://www.convergence-see.eu/convergence/sharing-experiences.html>

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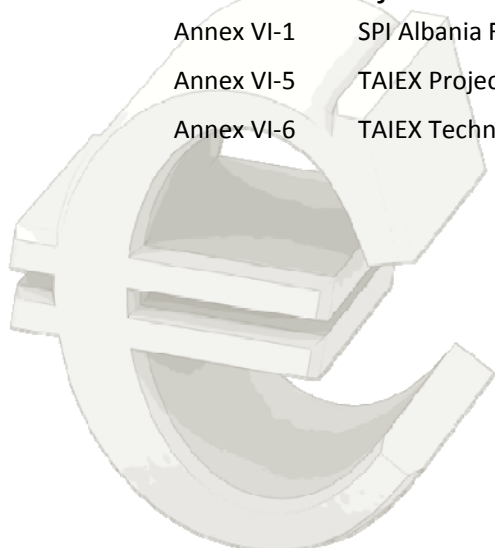
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Executive Summary

This *Toolkit* is designed on the basis of the experience of the World Bank's Convergence Program in establishing and running SPI Platforms in Romania and Albania. In these two countries, the Convergence Program encouraged private and public stakeholders to establish SPI partnerships; it also contributed project management and European Union "Better Regulation" know-how. The Convergence Program hired and guided the work of the SPI Secretariat and was a non-voting member of the SPI Committee.

Chapter 1 contains a description of the SPI Platform, its institutional framework and its working methods with a view to enabling the promoter to persuade other stakeholders of the benefits of establishing an SPI Platform.

Chapter 2 gives the promoter of the SPI Platform the tools for raising awareness of the concept, using examples from Albania and Romania to analyse "strengths and weaknesses" of SPI Platforms.

Chapter 3 documents the steps in establishing the SPI Platform and provides details on how to raise interest among the banking community.

Chapter 4 offers the promoter a set of instruments to capture the attention and interest of public authorities with regard to the public-private partnership and its methods.

Chapter 5 focuses on the setting up of the SPI Committee.

Chapter 6 focuses on actions to secure funding for the SPI Platform.

Chapter 7 illustrates the first operational steps on designing the SPI Secretariat, on hiring and training its staff and on setting up the activity program.

Chapter 8 covers operational aspects related to SPI Committee's responsibilities, to project documentation and the analytical methods used, and to planning and reporting activities of the SPI Secretariat.

Chapter 9 distills the Convergence Program's experience to illustrate the possible facilitating role of the European Banking Federation (or its representative) with its Associates.



What is the SPI Platform?

1.1. Understanding the Special Projects Initiative (SPI) Platform

The information in this chapter is intended to enable the promoter of the SPI Platform – that is, an EBF Associate – to understand the nature of the public-private partnership, how it works, how it is organized and its benefits and costs. Examples from Romania and Albania are used to illustrate the concepts.

1.1.1. SPI Platform Objective

The SPI Platform is a public-private partnership for institutional cooperation among market players, users of financial services and relevant authorities for addressing national financial-sector modernization opportunities through proposals for reform.²

1.1.2. SPI Platform Partners

SPI partners include associations of financial institutions, users of financial services – consumers and enterprises, regulating and supervising authorities of the financial market, academic institutions and international donors.

Box 1		SPI Platform Partners	
Romania		Albania	
Initial	<ul style="list-style-type: none"> • National Bank of Romania • Romanian Banking Association • Ministry of Finance • Convergence Program 	Initial	<ul style="list-style-type: none"> • Bank of Albania • Albanian Association of Banks • Ministry of Finance • Financial Supervisory Authority • Convergence Program
Joining later	<ul style="list-style-type: none"> • National Authority for Consumer Protection • Romanian Banking Institute 	Joining later	<ul style="list-style-type: none"> • Ministry of Economy (Market Surveillance and Consumer Protection Department) • European University of Tirana • Italian Banking Association

SPI partners undertake responsibility for managing, funding, staffing, data and any other aspects of supporting financial sector modernization.

They commit themselves to dialogue, cooperation and consensus-building in deciding the issues to be tackled and the most suitable solutions³.

They use their institutional strengths – authority in the case of public institutions, and convening power in the case of private institutions – in implementing the regulatory and self-regulatory outcomes of the partnership.

² General information about SPI Platform can be found at: <http://www.convergence-see.eu/instrument>

³ An effective framework for openness, transparency and dialogue is the main pillar of OECD's "Principles for Transparency and Integrity in Lobbying" [http://www.oilis.oecd.org/olis/2009doc.nsf/ENGREFCORPLOOK/NT0000503A/\\$FILE/JT03270937.PDF](http://www.oilis.oecd.org/olis/2009doc.nsf/ENGREFCORPLOOK/NT0000503A/$FILE/JT03270937.PDF).

The cooperation framework is set by the SPI Committee Operating Guidelines, which set out the responsibilities and rights of the parties (see **Annex I-1**).

1.1.3. Legal Status

An SPI partnership may or may not be incorporated as a legal entity. It can function only on the basis of agreement between partner institutions on the basis of sound governance approved and implemented by the partner institutions.

If an SPI partnership is constituted informally it has a high degree of flexibility in its day-to-day work. But its institutional strength can be enhanced by legal incorporation as a new entity – a complicated and lengthy process – or by affiliation as a distinct entity with an existing institution, which would ideally be neutral or one of the main partner institutions. Former Governor of Croatian National Bank Marko Škreb made this recommendation when he assessed SPI Romania.⁴ In either case, it is critical to preserve the public-private nature of the activities in terms of governance, implementation and administration. Legal incorporation will make it easier to organize revenue-generating activities and to raise contributions from domestic and international sources. A combination of these options may be designed, with the partnership starting as a non-legally formalized entity for a trial period and legal incorporation at a later date. This depends on the stakeholders' preferences, their financial options and institutional constraints. It is an important aspect of the SPI public-private partnership that has consequences for staffing, management and financing.

Box 2 - The Convergence Program's Experience with SPI Platform Legal Status

In Romania and in Albania SPI started as a non-legal entity under an agreement between the stakeholders. Its efficient functioning may have been influenced by the sponsorship and participation of the World Bank's Convergence Program. After 18 months, the financial and managing ownership of the SPI was transferred to the local stakeholders. In Romania ownership was transferred to an existing separate legal entity in which both main partners – the National Bank of Romania and the Romanian Banking Association – were already shareholders: the Romanian Banking Institute. In Albania the transfer was a matter of absorption by one of the main partners. The appointment of the SPI Director for Financial Modernization Program and Analytics as Secretary General of the Albanian Association of Banks ensured the transfer of analytical skills, methods and procedures.

Box 3- Location Options for the SPI Platform

1) Public

a. The Central Bank may wish to host the SPI Platform along the lines of the European Central Bank (ECB) European Financial Market Lawyers' Group (EFLMG) (<http://www.efmlg.org/>) and equivalent units hosted by the Bank of England, the Federal Reserve Bank of New York and the Bank of Japan. The advantage is

⁴ Report of the External Evaluation of the SPI Romania – Convergence Project, Marko Škreb, March 2007.
http://www.spiromania.eu/admin/filemanager/files/report_of_the_external_evaluation_of_spi_romania_final_ms_march_7_2007.pdf

that the unit draws on the institutional and professional strength of the central bank; the disadvantages are the lost opportunity to create multi-polar intellectual capabilities in the country and a possible rigidity in adapting its activities to new opportunities.

b. The Prime Minister's Office or equivalent central unit may be the host, as in the United Kingdom 10 Downing Street "Delivery Unit" model (<http://www.number10.gov.uk/Page3055>). The advantage is considerable political influence in supporting reforms; the disadvantage may be the distance from civil society, whose sustained intellectual engagement is beneficial to the reform process.

c. The European Commission (EC) also hosts various think-tanks for the purpose of improving the quality of regulatory design. A notable example is Fin-Use, which was set up to represent the views of consumers of financial services (http://ec.europa.eu/internal_market/fin-use_forum/index_en.htm).

2) Private

Local public and private stakeholders may decide that it is strategically important to improve the analytical activities of the banking association, in line with good practice in more advanced countries. To preserve the public-private nature of this work, the banking association could sponsor the creation of a separate legal vehicle for this work that would operate under public-private governance. The Romanian Banking Institute is an example of such a public-private set-up, although its driving force is the central bank. A similar institution in Italy is the *Osservatorio Regionale Banche Imprese* (Regional Bank Enterprise Observatory) (<http://www.bancheimprese.it/eng/index.asp>). In the past, the Association of Italian Banks and the Bank of Italy jointly ran a think-tank specializing in financial sector issues (<http://www.entelugieinaudi.it/en/index.htm>).

3) Civil Society

A think-tank or university department with leadership open to building bridges with policy analysis could be identified to host the catalytic function. The benefit is to host the activity on neutral ground protected from commercial influence. Long-term fundraising from foundations and public sources is easier with this vehicle compared with the public or private options. The downside is that its leadership, independent of the authorities and private stakeholders, may not have the incentives and capabilities to establish a track record of practical contributions to policy design. Possible benchmarks for this choice are the recent Center for Financial Regulation (<http://www.icfr.org/>) promoted by the UK Treasury and, closer to the commercial end of the spectrum, the "Better Regulation" activities of the Oxford-based Oxera (www.oxera.com).

1.1.4. Object of the SPI Platform

The SPI Platform handles financial modernization issues that increase the efficiency of financial intermediation through interventions with the following objectives:

- reducing asymmetric information;
- completing the market;
- increasing contractual opportunities for entering into financial transactions;
- reducing transaction costs; and
- enhancing competition in the market.

This taxonomy is drawn from the ECB criteria for measuring progress in financial integration in the European Union's Single Financial Market:

"Financial modernization refers to the process of financial innovation and organizational improvements that make the financial system more efficient by overcoming a number of frictions such as asymmetric information, incompleteness of markets, limited opportunities for agents to engage in financial transactions through contracts, high transaction costs and limited competition."

Gertrude Tumpel-Gugerell, ECB Executive Board Member, July 2006 speech

The aim of these interventions is to remove legal, regulatory and institutional obstacles to matching demand and supply in financial services. These interventions are normally prudentially neutral in terms of the overall targeted risk profile of financial intermediation chosen by financial regulators.

In this respect, financial modernization⁵ defines an innovative area of intervention that is almost fully complementary with that of financial regulation, which traditionally defines the interface between financial regulators and market participants. **Annex I-2** gives examples of the financial modernization programs handled by SPI Platforms in Romania and Albania. The Convergence Program developed a search engine⁶ for identifying the modernization issues to be built into a program.

1.1.5. SPI Institutional Capacity

Experiences in Romania and Albania showed that an SPI Platform supported by a three-person SPI Secretariat can handle ten to fifteen financial modernization projects per year.

Box 4 - SPI Romania 2007 12-Project Activity Program

- Positive credit information reporting
- Electronic processing of debit instruments
- Improving anti-money-laundering (AML) reporting
- Revamping rural lending based on deposit certificates
- Consumer financial education
- Banking ombudsman
- Credit rating agencies
- Stress testing
- Provisioning under International Financial Reporting Standards (IFRS)
- Mortgage loan and loss given default databases
- Markets in Financial Instruments Directive (MiFID) implementation
- Optimizing bank security

⁵ For discussion, see: <http://www.convergence-see.eu/convergence/faq.html>

⁶ <http://www.convergence-see.eu/our-mandate/how-to-identify-financial.html>

Box 5- SPI Albania 2009 10-Project Activity Program

- Enhancing banks' liquidity risk management
- Revising regulatory act on Execution of Procedures on Bank Accounts
- Revising public procurement law on financial advisory services
- Rationalized central bank reporting system
- Revising Foreign Currency Open Position regulation
- Preparing a feasibility study for central depository services
- Loan loss provisioning under IFRS
- Consumer Financial Education
- Expansion of the credit bureau services: database for businesses
- Expansion of the credit bureau services: scoring cards for individuals

1.1.6. SPI Results

The outcomes of the SPI public-private partnership are regulatory and self-regulatory proposals whose impact is qualitative and quantitative – increased volume of transactions and reduced transaction costs – from the private and public good points of view. **Annex I-3** shows the outcomes of the SPI Platforms in Romania and Albania and the quantitative assessments of the outcome of some of the projects completed.

1.1.7. SPI Governance

The strength and solidity of the SPI Platform are ensured by its partners' commitment to collaboration, strong governance and effective work methods.

The comprehensive governance framework (see SPI Committee Operating Guidelines in **Annex I-1**) was conceived by the Convergence Program and tested and improved in Romania and Albania. Its project methods are the result of practical experience; the analytical methods are based on the advanced European approaches of EU Better Regulation and Regulatory Impact Assessment.

1.1.8. SPI Organization**SPI Committee**

The supervising body of the SPI Platform is the SPI Committee of high-level representatives of the partner institutions. An SPI Committee has the following responsibilities: i) to decide on the activity program; ii) to monitor implementation; and iii) to endorse and promote the outputs of the program.



Box 6- SPI Committee in Romania

Members

National Bank of Romania – First Deputy Governor

Romanian Banking Association – Chairman

Ministry of Economy and Finance – State Secretary

National Authority for Consumer Protection – Vice-President

Convergence Program – Head

Alternates

Ministry of Economy and Finance – General Director

National Authority for Consumer Protection – Director

Box 7- SPI Committee in Albania

Members

Bank of Albania – First Deputy Governor

Albanian Association of Banks – Chairman

Ministry of Finance – General Director

Financial Supervisory Authority - Deputy Chairman

Ministry of Economy – Director of the Market Surveillance and Consumer Protection

Convergence Program – Head

Permanent Observers

Italian Banking Association – Director

European University of Tirana – Dean of the Faculty of Economics

Alternates

Albanian Association of Banks – Secretary General

Financial Supervisory Authority – Director

Convergence Program – SPI General Manager

SPI Working Groups

Implementation of the activity program is entrusted to public-private working groups established for each project. These consist of experts from all the stakeholders, led by a strong project management group reflecting the main stakeholders of the issue to be solved.

The project management group consists of a project owner such as the CEO of a bank or a central bank director, who appoints a project manager representing the main stakeholder and a co-project manager representing the other main stakeholder. The project owner ensures project oversight and is responsible for signing off the final SPI committee recommendations. The project manager and project co-manager coordinate the day-to-day activity of the project and are responsible for timely achievement of project objectives.

The project working group is set up under detailed terms of reference (see **Annex VIII-1**). The project manager and project co-manager decide membership in consultation with the stakeholders. Participation is voluntary. The members of project working groups provides the necessary mix of authority and expertise for ensuring that projects are successfully implemented.

Project working groups are responsible for identifying optimal solutions that address the concerns of all parties on the basis of EU Better Regulation methods. They contribute to project implementation, participate in meetings, contribute ideas and data, validate questionnaires, interpret consultation feedback and approve the final project document.

SPI Secretariat

The SPI Committee and the project working groups rely on the work of an SPI Secretariat dedicated to the partnership.

The SPI Secretariat carries out most of the analytical work with a view to making the most of the time and knowledge of project working group members without interfering with their official responsibilities. The SPI Secretariat provides secretarial and communication services. It requires strong organizational capabilities to handle relationships with local and international experts.

Box 8- Main Responsibilities of the SPI Secretariat

- Prepare SPI committee meeting agendas; keep and distribute records of meetings.
- Manage relationships with national and international banks, experts and technical assistance providers.
- Build up the activity program.
- Present the SPI annual business plan, quarterly working plans and budgets to the SPI committee for approval.
- Build up visibility for the SPI Platform.
- Draft project ToR.
- Organize project working groups and their meetings.
- Prepare background studies based on interviews, research, international benchmarks and regulations.
- Summarize contributions by project working group members.
- Prepare documents for project working group meetings.

- Prepare draft regulatory impact assessment (RIA) questionnaires.
- Collect data and perform calculations.
- Prepare SPI Committee documents.
- Coordinate actions for promoting, enacting and implementing SPI proposals.
- Submit periodical activity reports to stakeholders.

The Convergence Program tested two SPI Secretariat models: i) in Romania – a General Manager, a Director for Bank Products and Services, a Director for Analytics and Policy, office interns; and ii) in Albania – a General Manager, a Director for Financial Modernization Program and Analytics, a Director for Operations and one or two part-time experts to cover analytical work.

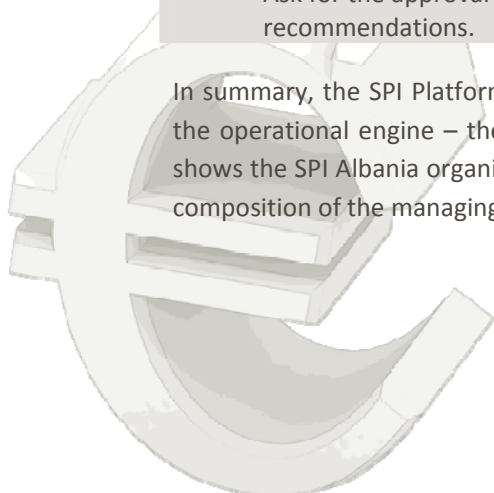
The Romania model did not have separation of duties; the Albania model did not cover all the responsibilities. In Romania, both directors carried out analytical work and could handle four to six projects simultaneously; in Albania only one did analytical work and the Director of Operations had difficulty in covering secretarial work. The optimum formula for an SPI secretariat might be a General Manager with analytical and public relations skills and executive responsibilities, a Director for Analytics and Policy, part-time assistant experts and a junior to manage the office.

One of the most important aspects of the SPI Secretariat's activity is its position as a neutral body, an "honest broker". The SPI Secretariat has to build consensus among project working group members and SPI Committee members. This constitutes a fundamental difference between the SPI Secretariat and other employees of the SPI Platform.

Box 9- Ten Golden Rules for Consensus Building

- Gain the confidence of project working groups through sound preparation of documentation and meetings.
- Maintain a neutral position in project working group meetings.
- Focus project working group discussions.
- Keep accurate minutes.
- Keep track of disputed issues.
- Seek the arguments of all parties on disputed issues.
- Look for international experience in disputed issues.
- Ask for the opinions of third parties on disputed issues.
- Seek middle-way solutions.
- Ask for the approval of project working groups for documents, particularly SPI committee recommendations.

In summary, the SPI Platform has three components: i) the policy-making body – the SPI Committee; ii) the operational engine – the SPI Secretariat; and iii) the brain – the project working groups. **Annex I-2** shows the SPI Albania organizational chart, which sets out the main responsibilities of each party and the composition of the managing and executive bodies of the public-private partnership.



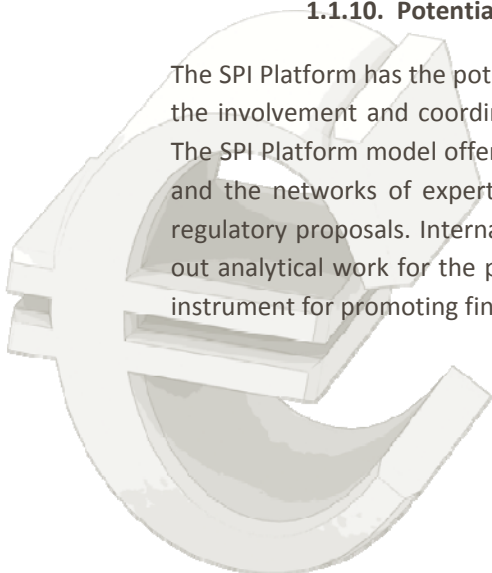
1.1.9. SPI Operating Principles

The SPI operating principles are therefore:

- **Local ownership.** This is achieved through the support of the local stakeholders and their powers to: i) decide on the SPI program; ii) mobilize their experts and cover a share of operating expenses; and iii) identify solutions and select those that address their concerns and accommodate their interests.
- **Programmatic focus.** The issues to be tackled under SPI are proposed by the partners in consultation. They are prioritized according to the financial modernization program objectives or policy priorities approved by the SPI Committee. In Albania, for example, the annual program for 2009 was built up in the context of the policy priorities of the Albanian banking system, discussed in Bank of Albania's Banking Forum and other meetings with banks, authorities and donors.
- **Mobilization of local expertise.** The annual program is implemented by public-private working groups of local experts, led by a project management group.
- **Involvement of foreign experts to fill knowledge gaps.** The project working groups prepare proposals for regulatory or self-regulatory changes, supported by the SPI Secretariat; if necessary, project working groups invite international experts to provide complementary perspectives.
- **Disciplined program management.** Project working groups run the projects according to detailed ToR prepared by the SPI Secretariat. The ToR's are based on standard documentation from the EU Better Regulation system and must be discussed in project working group meetings within three months. The recommendations of the project working groups are endorsed by the project management group and the SPI Committee before being sent to the relevant authorities for consideration.
- **Evidence-based analytical methods.** Projects are implemented according to EU Better Regulation methods: the main principles are that stakeholders must be consulted on policy options and that Regulatory Impact Assessment must be used to provide supporting evidence for regulatory proposals.
- **Transparency.** The governance framework, project implementation records and documents are made available to the public through the SPI Platform website and on the websites of SPI partners.
- **Practical impact.** The outcomes of the SPI are not studies or proposals: they are regulatory or self-regulatory changes.

1.1.10. Potential Future Development for SPI

The SPI Platform has the potential to become the hub of a country's financial modernization in facilitating the involvement and coordination of donors in a program that reflects national needs (see **Annex I-4**). The SPI Platform model offers significant cost and knowledge benefits in terms of the scale of operations and the networks of experts. The SPI Committee can use its authority to promote the enactment of regulatory proposals. International donors might sponsor the technical assistance necessary for carrying out analytical work for the project working groups, and in return SPI could offer donors a cost-effective instrument for promoting financial modernization and preparation for EU integration.



1.1.11. SPI Costs and Resources

The costs of an SPI Platform are salary costs for the SPI Secretariat, equipment purchases and the costs of running an office and organizing events. The costs will vary depending on conditions in each country. The annual budget of an SPI Platform is estimated at €100,000 on the basis of the Albania case: a small SPI Secretariat and involvement of foreign consultants as required. A ten-project annual program would therefore cost €10,000 per project.

In 2007 in Romania, 40 institutions – 9 public and 31 private – provided 120 experts who had 55 project meetings and spent 150 hours deciding on projects and implementing them.

With regard to the mobilization of in-kind partners, in the first 18 months of operation in Albania 27 private institutions, of which 16 were banks, and six public institutions appointed 145 experts who met in 27 project working group meetings. The value of this stakeholder contribution in 2008 can be estimated as the opportunity cost of these experts contributing 1,000 person-days, equivalent to five staff for a year, based on two-hour meetings per project.

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Why Build an SPI Platform?

2.1. Rationale for Establishing an SPI Platform

In this chapter, the promoter of the SPI Platform will find additional arguments in support of the idea.

A practical approach to analysing the feasibility of establishing an SPI Platform is the strengths, weaknesses, opportunities and threats (SWOT) system, which enables a business person to reach a decision by balancing the pros and cons and to develop appropriate risk-mitigation strategies.

Box 10- SWOT Analysis for the SPI Platform

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Sound institutional framework • Programmatic approach • Results orientation • Local leadership and initiative • Efficiency • Productivity • Institutional capacity-building • Focus on implementation • Structured processes • Evidence-based approach • Standard documents • Accountability • Neutral stance 	<ul style="list-style-type: none"> • Additional costs for banks • Additional resources invested • No clear legal status (unless addressed) • Unclear institutional development perspectives (unless addressed)
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Developing markets, with large volumes of modernization opportunities • Convergence with EU regulations • Support from EBF members • EU and other funding sources • Complementarities with banking association activities • Local expertise • Cooperation with similar Platforms • Tested framework, processes, efficiency and productivity 	<ul style="list-style-type: none"> • Overlaps with other initiatives • Overlaps with banking association activities • Competition with the banking association • Public institutions not willing to enter into partnership • Low probability of finding skilled people for the SPI Secretariat

These aspects are discussed in the following paragraphs.

Strengths. An SPI Platform is a stable framework for cooperation, not a single-project initiative. Sound governance means that it addresses the sharing of responsibilities and cooperation and accountability among the parties; and it covers all project steps, with emphasis on implementation. Prior approval of a programmatic framework by high-level public and private partners increases the likelihood of rapid practical results quickly. Banks have the right to propose issues to be solved in cooperation with public and private partners and to take advantage of the synergies among projects. Projects are largely implemented by local experts, which helps build analytical and consensus-building capacities; foreign experts intervene only to fill local knowledge gaps. Private stakeholders take part in designing regulatory solutions and can compare their opinions with those of experts from the public sector in the structured environment of the SPI Platform. The SPI Secretariat provides assistance and support with additional analytical services while maintaining a neutral stance. The functionality and efficiency of the SPI Platform have been successfully tested in two countries.

Weaknesses. The disadvantages of the SPI model are that it may require additional financial and other contributions from banking association members, and it might not have clear legal status at the outset. The size of the additional contributions depends on factors such as salary levels, the possibility of sharing costs with other SPI partners, and the prospects for attracting donors to sponsor the establishment and operation of SPI. This *Toolkit* offers detailed information for potential sponsors on access to EU funding. Identification of a funding source covering the first years of operations could solve the issue of SPI sustainability, but clarification of legal status is a prerequisite for accessing funds.

Opportunities. The basic opportunity for establishing an SPI Platform is the need for financial modernization in a country. Consultations in 2008 in Romania brought 35 modernization issues before SPI Committee's table; consultations in Albania in 2009 identified 40 project proposals. A large banking group has listed 273 regulatory issues that need to be addressed in central and southern Europe. Regulatory reform requirements can be greater for countries in the process of EU pre-accession. Opportunities for establishing a financial sector modernization body should be tested in consultations with potential partners.

It is important to stress that EBF is willing to support its Associates in establishing and operating SPI Platforms (see **Chapter 9**, page 51). This support includes dealing with EU institutions, raising awareness and building consensus among EBF Associates and public institutions. The cooperative framework that EBF can create and maintain for SPIs is a major asset in dealing with the weaknesses and threats.

Pre-accession to EU country status brings with it access to EU funding, which mitigates one of the identified weaknesses – additional costs for partners. The existence of reliable funding sources will solve the issue of SPI sustainability, and the eligibility criteria for accessing EU funds will help to clarify the legal status of the partnership.

Threats. Potential threats to the establishment of an SPI Platform include the possibility of overlap with the work of the banking association and the danger of the SPI Platform becoming a competitor to the banking association. In such a case, any overlapping could be transformed into complementarities and cooperation between the SPI Platform and the banking association. The Romania case showed that this in fact happened, and that each institution used its comparative advantage to leverage the effects of their joint activities.

SPI Platform complements and expands the banking association's work on building an industry position on various issues.

Box 11- Cooperation between Romanian Banking Association and SPI Romania

- Projects supported by the Banking Association
 - Building a stronger image of the SPI program
 - Bringing the SPI program into Romanian institutions
 - Discussing SPI projects at monthly meetings with the central bank
 - Gathering banking professionals
 - Building banking consensus on SPI projects
- Support by the SPI Secretariat for the Banking Association
 - Managing projects for the banks
 - Analytics and international benchmarking
 - Convening experts of public institutions and private non-financial entities
 - Engagement in public consultations
 - EU Better Regulation impact assessment

Box 12- Banking Association – SPI Platform Criticalities

1. The banking association must be alert to policy and regulatory developments. An SPI Platform exists to handle projects where there is prior agreement in principle between the authorities and the banking industry. Both stakeholders retain full freedom to regulate and advocate without SPI Platform involvement.
2. The banking association must monitor SPI work in progress to ensure that the discussions of project working groups reflect banking industry views and to build consensus among their members with regard to the recommendations of project working groups. The banking association may wish to have parallel technical discussions among its membership to give project working group representatives the full range of banking industry views.
3. The banking association must support SPI Committee follow-up actions to ensure that its recommendations are implemented.

Box 13- Benefits of the SPI Platform for the Banking Industry

1. It creates space for banking industry initiatives, particularly when public action is hampered by fragmented decision-making.
2. It facilitates a medium-term programmatic approach rather than reactive case-by-case dialogue with financial regulators.
3. It secures a high degree of likelihood of public action on SPI Platform recommendations as a result of prior SPI Committee commitment.
4. It increases the quality of recommendations through informal collaboration with public-sector experts.
5. It increases professional networking among private and public experts, promoting faster growth of sophisticated expertise in the country.

To summarize, the outcomes of an SPI Platform are worth the effort involved in establishing and running the public-private partnership. The knowledge and support at the EU level are strong arguments in its favor. The first things to be assessed in the initial stage are the "market" for financial modernization and other institutions' openness to join the partnership.

How to Promote an SPI Platform?

3.1. Steps for Building an SPI Platform

Establishing an SPI partnership is a long step-by-step consensus-building process. In this chapter we assume that a banking association that is an EBF associate is the SPI Platform promoter.

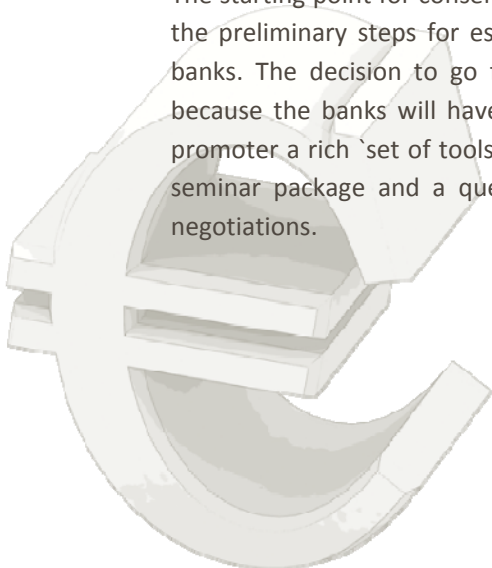
First, the banking industry should be made aware of SPI so that it can assess the feasibility of establishing the partnership and initiating the build-up actions. Then the main public partner should be gained as a supporter of the idea. This nucleus can invite other private and public institutions to join the partnership.

Box 14 – Four-step consensus-building process

- 1. Steps for building consensus among banks:**
 - i. EBF Associate's decision to assess the feasibility of establishing the SPI Platform.
 - ii. Bilateral discussions with the EBF Associate's senior management.
 - iii. Seminar for bank staff.
 - iv. EBF Associate's decision to initiate the SPI Platform.
- 2. Steps for initiating the partnership:**
 - i. Bilateral discussions between high-level representatives of banks and public authorities.
 - ii. Seminar with public authority staff.
 - iii. Official proposal to the central bank.
 - iv. Joint invitation from the central bank and banking association to other stakeholders.
- 3. Steps for establishing and running the partnership:**
 - i. SPI Committee set up.
 - ii. Preparation of public-private partnership project.
 - iii. Submission of request for funding to European Commission and other donors.
- 4. First implementation steps of project when funding has been secured:**
 - i. Hiring SPI Secretariat staff.
 - ii. Training SPI Secretariat staff.
 - iii. Designing and setting up a multi-annual financial modernization program.

3.2. Consensus-Building among Banks on Initiating the SPI Platform

The starting point for consensus-building is the decision by the management of the EBF Associate to take the preliminary steps for establishing the SPI Platform: awareness-building and consultations with the banks. The decision to go further depends on raising awareness of the advantages of SPI Platform, because the banks will have to contribute expertise and money. The **annexes** to this *Toolkit* give the promoter a rich set of tools – questions and answers, presentations, draft communications for banks, a seminar package and a questionnaire for assessing the potential project – that can be used in the negotiations.



3.2.1. EBF Associate's Decision to Assess the Feasibility of Establishing an SPI Platform

To persuade the management of the EBF Associate of the merits of SPI Platform, the promoter should give a presentation on the SPI partnership and on the proposed approach strategy, and answer any questions. The *Toolkit* offers a presentation (**Annex I-2**) and a question-and-answer discussion instrument (**Annex III-1**) that goes into greater detail. Anticipating positive feedback, the *Toolkit* provides a draft of the communication to senior bank management (**Annex III-2**) as a basis for public consultations with the industry.

These consultations should involve senior management of the banks, and then address the executive levels. For practical reasons, senior management must be approached through bilateral meetings because it is unlikely that senior managers of all banks will be available on a given date. The other levels of bank management should be addressed in a seminar.

Information gathered through this round of consultations will enable the EBF Associate to decide to initiate establishment of the SPI Platform.

3.2.2. Bilateral Discussions with the EBF Associate's Senior Management

Bilateral discussions with senior bank managers are essential for raising awareness about the SPI Platform, for obtaining opinions as to the feasibility of establishing the SPI Platform and implementing its actions and for understanding and addressing the banks' concerns.

To get the best results from the bilateral discussions, the *Toolkit* provides a presentation to be delivered during the meeting (**Annex III-3**), a questionnaire to help banks to identify modernization issues to be undertaken by an SPI Platform (**Annex III-4**), and a checklist (**Annex III-5**).

The presentation is designed to address a bank management's primary points of interest: what is "SPI", what does it do, what results are envisaged, and what is the quantitative impact on banks likely to be in terms of annual costs. The questionnaire is intended to help interviewees to understand what an SPI Platform could do for banks. These processes are backed up by the check-list. The overall aim is to provide the information necessary for the EBF Associate to reach its decision.

3.2.3. Seminar for Bank Staff

Having collected policy opinions from senior managers, the promoter must obtain technical opinions to ensure that potential project working group members understand the SPI Platform concept and are willing to be involved in its activities.

The presentation given in seminar for bank staff therefore focuses on project management procedures and on analytical methods. It describes the roles of project working groups and the SPI Secretariat, cooperation with banks, the banking association and its committees. Brainstorming sessions on the SWOT analysis of the SPI Platform or the project pipeline of an SPI Platform encourage bank executives to provide feedback.

The *Toolkit* provides the seminar package: the invitation letter (**Annex III-6**), an agenda (**Annex III-7**) and a presentation (**Annex III-8**).

3.2.4. EBF Associate's Decision to Initiate the SPI Platform

The results of the public consultations should be made known to the EBF Associate so that an informed decision can be made. The *Toolkit* provides an outline of the memo to be presented to the management of the EBF Associate (**Annex III-9**). For reasons of transparency, the findings of the consultations with the banks should be made known to all participants.

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How to Initiate the SPI Partnership with Authorities?

This chapter guides the promoter of the SPI Platform through the process of advocacy with public authorities. It contains a set of tools and instructions for organizing actions and using information already presented or available from other sources. As mentioned in the previous chapter, we assume here that the banking association is the SPI Platform promoter.

Given the support of the banks, the EBF Associate should identify the public authorities to be approached to establish the SPI Platform. The most important are the Central Bank and the Ministry of Finance.

Involvement of the supervisory authorities is essential in view of the collaboration between them and market participants. It is important to understand that the SPI Platform will be only partially involved with matters that come under the direct and exclusive oversight of the supervisory authorities.⁷ It is vital for the performance and impact of the SPI Platform to define a significant role for the Ministry of Finance or the Ministry of the Economy, because they are responsible for policy analysis, the design of financial modernization interventions and legislative action on matters affecting the financial sector.⁸

The Ministry of Justice must also be approached because its endorsement of legal proposals will be needed. The authority regulating the capital, leasing and other financial markets should be on the list of potential SPI partners because it has many interests in common with the banking sector. And because all SPI projects have a public good impact – some also have important consequences for consumers – the authority in charge of consumer protection should also be approached.

The consultation strategy for public authorities is similar to that for the banking community: first, a "political" stock-taking round at the senior management level, followed by a seminar for executive and technical staff. The results of these consultations should be synthesized in a memorandum for the attention of the management of the EBF Associate and as a basis for the next steps (see **Annex IV-1**).

4.1. Bilateral Discussions between Senior Management of Banks and Public Authorities

The first institution to be approached is the other main partner – the Central Bank. Soon after this, the managers of the banking association should approach the Ministry of Finance or Ministry of the Economy, preferably at the level of the Deputy Minister in charge of financial sector policy issues.

Bilateral discussions between banks and public authorities should be introduced through a letter (see draft in **Annex IV-2**).

⁷ Unless the supervisory authorities wish to avail themselves of the SPI Platform's collaborative analytics to analyse proposed regulations in consultation with market participants, in line with EU Better Regulation principles.

⁸ For a discussion of the roles of financial authorities and governments on financial efficiency, see: Lucas Papademos, European Central Bank Vice President – Price stability, financial stability and efficiency, and monetary policy, 7 July 2006.

The discussions should be supported by a presentation (see **Annex IV-3**) that emphasizes the public good elements of the SPI partnership and the benefits that public institutions can obtain by participating in the partnership.

The presentation focuses on the projects proposed by the public authorities in Romania and Albania. Some of them concerned prudential issues, because the central banks appreciated that they could use information from banks or consulting companies to determine readiness to implement regulatory provisions, the impact on banks, the timeline for implementation and the clarity of the regulations. Central banks in modern economies consult market participants on new regulations – and the SPI Platform is a structured framework for doing this. The central bank will wish to be involved in market efficiency issues with a view to preserving public goods, consumer rights, sustainable development and stability.

A concern that arose in discussions with central banks related to the participation of private entities in defining prudential and stability regulations that are the exclusive responsibility of a central bank. This concern is justified, but it is mitigated by the fact that central banks have a right of veto on the SPI activity plan and full rights of approval of SPI Platform proposals through their SPI Committee representation. Even when regulations are drafted with inputs from an SPI Platform, the central bank retains an undiminished right and responsibility to approve and enact regulatory provisions.

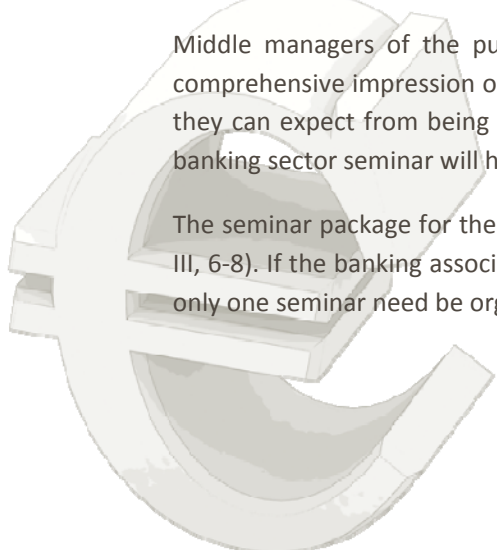
The promoter should consult the Central Bank and the Finance and Economy Ministries as to other institutions to be approached for the partnership, the legal status of the SPI and the next steps. It is of paramount importance that the Central Bank is comfortable with the SPI Secretariat located in the banking association and that it trusts its neutrality under these circumstances. The SPI Secretariat operates under a fiduciary mandate from the SPI Committee: as a check-and-balance measure, it will be important for the SPI Committee to be chaired by a public-sector representative, particularly if the SPI Secretariat is located in the banking association.

If the public authorities express concern that the banking association's representatives cannot respond immediately, the latter should collect the concerns and set up a second round of bilateral meetings. The EBF can help in clarifying issues and suggesting solutions.

4.2 Seminar with Public Authority Staff

Middle managers of the public authorities should be invited to a seminar so that they can form a comprehensive impression of the SPI partnership, the contribution expected of them and the advantages they can expect from being involved in SPI activities. The feedback from the interactive sessions of the banking sector seminar will help senior representatives decide on participation in the partnership.

The seminar package for the banking association can also be used for public authority staff (see Annexes III, 6-8). If the banking association decides to run parallel consultations with banks and public authorities, only one seminar need be organized for middle management of private and public institutions.



4.3 Raising Public Awareness of the SPI Platform

Public information concerning the initiative to establish an SPI partnership is important because it helps stakeholders to buy into the idea. And it can attract supporters such as international donors and raise public awareness.

The direct advocacy campaign should be complemented by a public information campaign in support of the decision to establish an SPI Platform. This can be done by inviting the media to the seminars and by publishing articles on SPI governance, results and experiences in other countries, interviewing banking association managers in public and disseminating the opinions of academics and international institutions.

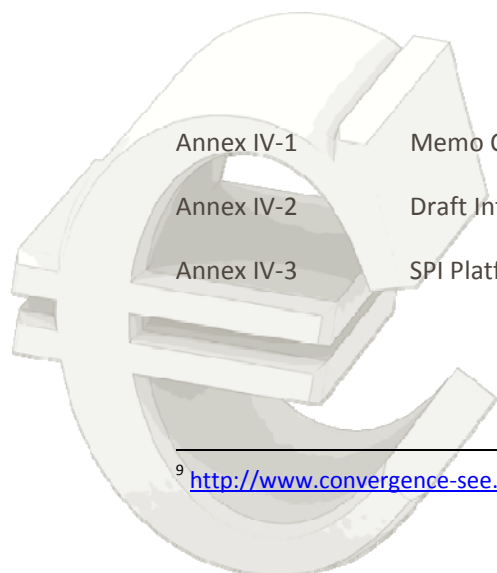
The *Toolkit* provides comprehensive information for use by a media specialist in preparing a public information campaign.

4.4 Improved Regulation Methods and Regulatory Impact Assessment Tools – Seminar for Public Authority Staff

Public authorities are usually interested in adopting the analytical methods of the SPI Platform – EU Better Regulation and RIA, its quantitative evidence tool. Introducing RIA practice and the possibility of exercising it with private institutions, but having the work done by the SPI Secretariat, is one of the most appealing arguments in favor of the SPI Platform.

The seminar on RIA capacity-building should be based on the model provided by the seminar in Albania (<http://www.spi-albania.eu/en/ria-capacity-building/>). This had three sessions: i) introducing participants to EU Better Regulation and RIA; ii) applying RIA to proposed local regulations; and iii) assessing the results of the exercise. This process takes some time and involves homework between seminar sessions. The Convergence Program website gives a list of RIA experts who were invited to training sessions in Albania, Bulgaria, Romania and Slovenia.⁹

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Annex IV-1	Memo Outline on Consultations with Authorities
Annex IV-2	Draft Introductory Letter to Public Authorities
Annex IV-3	SPI Platform Presentation to Public Authorities

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⁹ <http://www.convergence-see.eu/work-method/to-learn-more.html>

How to Launch an SPI Platform?

This chapter sets out the steps to be taken to set up the SPI partnership once key public and private stakeholders have agreed to it.

Establishing the SPI Committee sets up the partnership. This strategic decision must be made known to other institutions and to the public. The *Toolkit annexes* document the actions to be taken at this stage: an official invitation letter to the central bank and the finance and economy ministries, a note backing up the letter, a draft joint letter inviting other institutions to join the partnership, a possible open letter from the newly established SPI Committee, and the operating guidelines covering this stage.

5.1. Setting up the SPI Committee

On the basis of a memorandum detailing the favorable results of consultations with public authorities (see **Annex IV-1**), the management of the banking association will be able to take the decision to establish the SPI partnership.

The next action is to set up the supervising body of the partnership, the SPI Committee, whose main responsibilities at this stage are to raise awareness of the initiative, take the necessary steps to ensure funding, recruit the SPI Secretariat team and decide on the first projects to be undertaken.

5.1.1 Official Invitation to the Central Bank and Ministries

The first step is to send official invitations to the central bank and relevant ministries to enter into the SPI partnership (see **Annex V-1**). The information provided in the note attached to the invitation letter (see **Annex V-2**) should enable the governing bodies of the public authorities to take an informed decision and empower their members to represent them on the SPI Committee for the initial mandate to secure financial coverage for SPI Platform activities.

5.1.2 Joint Invitation to Other Stakeholders

The two private-public founding institutions should send invitation letters to other potential SPI partners. As mentioned in Chapter 1, an institution can be invited to nominate a permanent observer or a member to the SPI Committee, subject to approval by the initial SPI partners.

A joint letter constitutes a statement that the SPI partnership is established, so it will have a greater impact on the invited institutions. A sample invitation letter is provided in **Annex V-3**; it should be adjusted in line with the agreed composition of the SPI Committee. The note in **Annex V-2** could be attached to the joint letter because it provides summary information about the SPI Platform and the responsibilities of the SPI Committee.

5.1.3 First SPI Committee Meeting

The establishment of the SPI Committee should be marked by a launch meeting to approve the operating guidelines for this pre-funding stage, to clarify the responsibilities of each member institution and to define the next steps (see **Annex V-4**).

The newly established SPI Committee should announce the launch of the partnership through an open letter to be published in newspapers and posted on the partners' websites (see **Annex V-5**).

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How to Fund SPI Platform Activities?

6.1. Fund-raising for the Public-Private Partnership Project

As sponsor of the SPI Platform, the banking association must take the lead in mobilizing financial resources for the SPI Secretariat, recruitment of technical assistance to identify financial modernization interventions, project implementation and organization of project-related events such as awareness-building and public information campaigns.

Part of the cost should be covered by the banking association from members' contributions, part in by kind potential secondments from local private or public institutions and the rest through international assistance. EU funding should be targeted, but other sources could be explored such as the European Bank for Reconstruction and Development (EBRD)¹⁰ (www.ebrd.com/about/index.htm), the United States Agency for International Development (USAID) (www.usaid.gov/business) and the Centre for International Private Enterprise (CIPE) (www.cipe.org/programs/ba/index.php). Information on international assistance available present in a country should be sought from the government donor coordination department or similar body.

As an example of approaching international donors, **Annex VI-1** provides two samples of funding applications sent to World Bank-managed Financial Sector Reform and Strengthening (FIRST) Initiative by SPI Albania.

6.2. Potential EU Funding Sources

The Financial Perspectives of the European Union adopted in April 2006 set the priorities of the EU for 2007–2013. On the basis of this document, the European Commission prepared 300 funding programmes for this period, with revised budgets and renewed priorities of competitiveness, innovation and employment.

The EC holds the view that it is of paramount importance to strengthen civil society in the region and that its organizations demonstrate their legitimacy and credibility as reliable and constructive partners. One of the programs developed by the EC is the Civil Society Facility (CSF) – Partnership Actions involving socio-economic partners that addresses the mandate of an SPI Platform.

Box 15- The EU Civil Society Facility

CSF has three areas of activity: i) local civic initiatives and capacity-building; ii) People 2 People; and iii) CSF Partnership Actions, which focus on developing networks of civil society organizations (CSOs) and promoting transfers of knowledge and experience.

CSF Partnership Actions favor: a professionally operating civil-society sector; new CSO networks, strategies and initiatives; improved services and dissemination of common values in the region; and greater support for democratic issues.

¹⁰ EBRD sponsors similar initiatives such as business support councils in Armenia, Georgia and Mongolia.

CSF is financed from the Instrument for Pre-Accession Assistance (IPA) multi-beneficiary program managed by DG Enlargement, Directorate D, and from national IPA programs managed by EC delegations. Regional partnerships should consist of at least three CSOs from three beneficiary entities and one from the EU.

Activities under CSF-partnership action include:

- organization and implementation of workshops, information events, training sessions and communication and awareness-raising campaigns;
- provision of training and expert advice to increase the capacity of CSOs to assist and advise their members on the implementation and impact of the relevant EU *acquis communautaire*;
- organization and implementation of partnership activities to link business associations, trade unions, think-tanks and other CSOs with each other and with stakeholders; and
- establishment of communication Platforms to promote and exchange good practices and to formulate recommendations and practical solutions (that is, the **SPI Platform**).

Banking associations could be beneficiaries of this program. They could apply under national IPA programs or, if organized in a regional partnership, under IPA multi-beneficiary program.

Under IPA multi-beneficiary program, the SPI Platform program will be implemented through grant contracts following calls for proposals. The selection and award criteria for the award of grants are laid down in the practical guide to contract procedures for EC external actions.

The IPA is the EC's financial instrument for the pre-accession process for 2007–2013. Assistance is provided on the basis of the European and accession partnerships of candidate countries, currently the western Balkan countries and Turkey. The IPA is a flexible instrument that provides assistance depending on the progress made by beneficiary countries and their needs as shown in EC evaluations and annual strategy papers.

Box 16- Information about EU IPA

Beneficiary countries are divided into two categories depending on their status as candidate countries for accession or potential candidate countries undergoing the stabilization and association process.

Candidate countries are Croatia, Turkey and the former Yugoslav Republic of Macedonia; potential candidate countries are Albania, Bosnia and Herzegovina, Montenegro and Serbia including Kosovo as defined by United Nations Security Council Resolution 1244. Exceptionally, and in the interests of coherence and efficiency, other countries may benefit from measures financed under IPA, provided the measures form part of a regional, cross-border, trans-national or worldwide framework and do not duplicate other programs under EC external aid instruments.

The IPA was designed to address the needs of beneficiary countries in the context of pre-accession. Its main aim is to support institution-building and the rule of law, human rights including the fundamental

freedoms, minority rights, gender equality and non-discrimination, administrative and economic reforms, economic and social development, reconciliation and reconstruction, and regional and cross-border cooperation.

To ensure targeted, effective and coherent action, the IPA is made up of five components covering priorities defined according to the needs of beneficiary countries. Two components concern all beneficiary countries:

- support for transition and institution-building, aimed at financing capacity-building and institution building; and
- cross-border cooperation, aimed at supporting beneficiary countries in cross-border cooperation among themselves and with Member States.

Banking associations should consult with the EU delegation in their countries for further details about other EU programs that could finance SPI Platforms in full or in part.

6.3. Preparation of the SPI Project for EU Funding

To prepare the SPI project as a sound business case for EU funding, applicants should first understand EC interests in a particular area. The project can be a strong case if it encompasses the EC priorities of competitiveness, innovation and employment. SPI projects fall under "innovation".

The applicant should select the optimal financing programme, because it is not possible to apply for several programmes at the same time for the same action. The EC provides a search engine on European programmes. The Convergence Program has identified the national IPA and the multi-beneficiary IPA Civil Society Facility – Partnership Actions project.

Preparing a EC funding application requires some knowledge of the EC programmes: their legal basis, geographical coverage, eligible organizations, partnership criteria and date of the publication of the next call for proposals.

The potential applicant should understand the life-cycle of a program: i) preparation – analysis and feasibility; ii) programming once the program is adopted and the legal aspects defined for one or more years; iii) implementation – before 31 March of each year the EC publishes an annual work programme defining the priorities of the program and the financial decisions for the year; and iv) re-programming – an evaluation at the end of the program to obtain operational results.

To select projects for the programs, the EC uses the call for proposals procedure. Examples may be found on the Welcomeurope website. If the program has a preliminary stage, the call for proposals refers to expression-of-interest papers (see **Annex VI-2** for the document prepared by Regione Puglia for an SPI Adriatic program under the Southeast Europe Transnational Cooperation Program (<http://www.southeast-europe.net/hu/>), one of the regional cooperation programmes supported by IPA.

The applicant should recruit the project participants and establish distribution of responsibilities among participants:

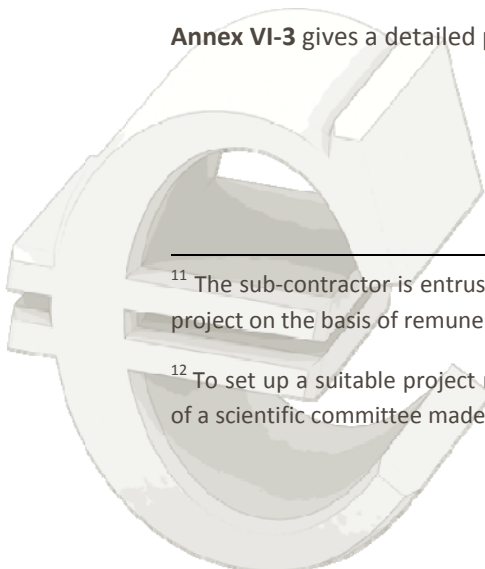
- The contractor is the organization that has prepared the funding request and that will sign the grant agreement with the EC if the project is selected. In the case of an SPI it should be the banking association and/or the SPI legal entity.
- The partners constitute a body that participates in the project from inception to conclusion. In the case of an SPI these include financial authorities, consumers' associations, universities, think-tanks and employers' associations.
- Other participants include the sub-contractor,¹¹ the associate partner or collaborator, the committee,¹² the co-financer and the sponsor. In the case of an SPI, the SPI Committee should be included.

The coordinator must prepare and propose to the partners a working method for the project and the partnership. In the case of an SPI Platform project this is covered by the SPI Committee operating guidelines; in the case of a regional partnership, the project should show the distribution of tasks among regional partners. Documentation of a regional partnership can be based on standard letters of intent provided by the EC for annexation to the application.

There must be a project sheet that answers the main initial questions:

- What is the rationale for your project?
- What is the context of your project – political, legislative, projects already funded in this field?
- What are its objectives? A European project has to be sound, meet a global objective and have several objectives.
- Whom does your project address?
- How?
- Which activities should be undertaken to achieve your objectives?
- With whom?
- What are the capabilities and appraisals needed for the project?
- Where?
- Where the project activities take place?
- What will the results be?
- What results do you aim to achieve through this project?

Annex VI-3 gives a detailed project description for applying for EU funding.



¹¹ The sub-contractor is entrusted by the project leader or by a member of the partnership to carry out part of the project on the basis of remunerated service delivery corresponding to the market price.

¹² To set up a suitable project monitoring and evaluation system, the project partnership may canvass the opinions of a scientific committee made up of external experts that will evaluate progress.

6.4 Other Potential Funding Sources

SPI Platform stakeholders (either public institutions or banking associations) can also apply for TAIEX assistance to receive technical support from EU experts on specific financial modernization projects that involve approximation with EU legislation. SPI Albania successfully applied for TAIEX assistance to ensure that the solution identified by the local team on modernization of public procurement for financial advisory services was in line with EU best practices. **Annex VI-4** gives information about TAIEX. **Annexes VI-5** and **VI-6** show the application and the structure of the TAIEX-supported intervention respectively.

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How to Implement SPI Platform Activities?

This chapter sets out the steps for implementing SPI Platform activities once funding has been secured.

Two issues have to be settled: i) Who is going to be in charge of daily operations? and ii) What projects are to be undertaken by the partnership?

This chapter presents some functions of the SPI Secretariat, the hiring process, and the build-up to the first program activity. It provides supporting documentation on the sharing of responsibilities among SPI Secretariat staff, draft job advertisements, a draft message to candidates, an outline of the memorandum on the selection process and its results, a training package and a template for presenting the first modernization program.

7.1. Building up the SPI Secretariat

This involves defining the allocation of responsibilities among the members and identifying and training the team leader and the members.

7.1.1. Designing the SPI Secretariat

The SPI Secretariat is a small, efficient unit consisting of up to three full-time professionals. It is set up to help market participants and authorities to work harmoniously together on analysis of regulatory change opportunities and on sound and credible proposals to the authorities.

The SPI Secretariat coordinates the work of the project working groups, supports the solution design process, promotes technical public-private consensus, prepares public-private consensus and supports enactment work. **Annex VII-1** presents the SPI Secretariat's ToR and responsibilities.

The quality of the SPI Secretariat and its work is of utmost importance for the success of the SPI Platform. The SPI Secretariat staff must have the necessary seniority to be able to:

- bring together partners, managers and experts in the project working groups, which have to persuade senior managers of the financial institutions to assume ownership of the projects;
- convene project working group meetings in an environment free of hierarchical constraints; the members' professional status will give them the authority to support the project management group;
- plan, implement and coordinate multi-project activities;
- carry out analytical activities, and research regulations and international experience;
- design analytical tools; and
- record accurately the substance and important nuances of the discussions of the project working groups and SPI Committee.

The main responsibilities of the SPI Secretariat are described in Chapter 1.1.8. **Annex VII-2** gives a formula for the sharing of responsibilities among SPI Secretariat staff of three full-time members – a general manager, a director of the policy modernization program and an office manager.

If office management can be covered by the banking association, the SPI Secretariat analytical team could be enlarged with another member, who could be a part-time expert. Depending on the size of the SPI Secretariat team, the responsibilities in the Annex can be shared differently: for example, some executive tasks of the general manager could be allocated to an additional person.

7.1.2. Hiring the SPI Secretariat

Advertising the job

To ensure a large pool of candidates, job advertisements should be posted on the websites of the central bank's and the banking association, on specialized human resource websites and published in major newspapers. **Annex VII-3** contains a sample job advertisement for the position of general manager.

Special attention should be given to the selection of the SPI general manager, who has to be a senior person with management experience, entrepreneurial skills and the ability to run the day-to-day work of the SPI Platform without intervention from the main SPI partners.

Selection process

The experiences of SPI Romania and SPI Albania lead to a four-stage process of selection of the SPI Secretariat that also involves other SPI partners. The process should be transparent and thorough so that the SPI Secretariat acquires the professional legitimacy required to do its work. The interviewing panel should consist of banking association representatives; it may be enlarged as the process develops with representatives from partner institutions.

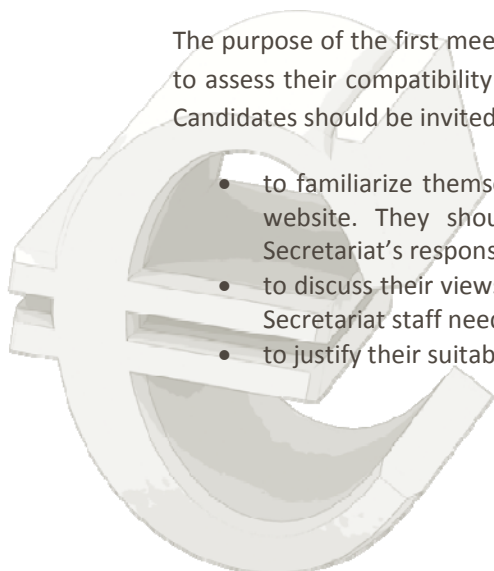
The sequence should ensure that the general manager is selected first so that he or she can be involved in the recruitment of the other members of the SPI Secretariat. Recruitment of the office manager should not pose problems unless further promotion to the status of analyst is foreseen. Selection of the right analyst and compatibility with the general manager are most important.

Short-listed candidates should be invited for a first interview. The message should contain a description of the selection process and the requirements for each step (see **Annex VII-4**).

Round One

The purpose of the first meeting is to get to know the candidates and their professional backgrounds and to assess their compatibility with SPI Platform requirements. The interviews should take about an hour. Candidates should be invited:

- to familiarize themselves with the material on www.spi-albania.eu and the banking association website. They should be invited to read about the SPI governance framework, the SPI Secretariat's responsibilities and the activity programs;
- to discuss their views on the SPI mandate and strategy; as indicated in the job advertisement, SPI Secretariat staff need to have an entrepreneurial desire to build a new institution;
- to justify their suitability for the job in terms of professional and personal background.



Round Two

Round two is a technical session. Shortlisted candidates from round one should be asked to identify at least three possible modernization projects that could be handled by the SPI Platform and to develop one of them. This will test their understanding of SPI projects and their analytical and planning capabilities.

Round Three

The third round is dedicated to assessing team compatibilities and team-building. Teams of candidates shortlisted for general manager and director of analytics should be tested in several meetings to define the dynamics of the team. The output of this round should be the proposed SPI Secretariat team.

Round Four

The proposed SPI Secretariat team should present their candidacies at an SPI Committee meeting, at which a final decision should be reached. The selection panel should report to the SPI Committee meeting on the selection process (see **Annex VII-5**).

7.1.3. Training the SPI Secretariat

The SPI Secretariat should have a training session on the SPI Platform, SPI partner institutions and SPI methods and procedure.

The banking association and the central bank should invite the SPI Secretariat team to study tours of their institutions to acquaint them with their organization and activities. With regard to training on the SPI Platform, **Annex VII-6** contains a self-training support tool. The SPI Secretariat should receive training opportunity on RIA procedure.

7.2 Preparing a Multi-Annual Modernization Program

Multi-annual modernization program should be built on the findings of the round of consultations with the banking community, performed through bilateral meetings and through the seminar by the banking association when building consensus on the establishment of the SPI Platform.

For consulting SPI stakeholders, the SPI Secretariat must use a detailed questionnaire adapted to the national context. The SPI Albania 2009 questionnaire (**Annex VII-7**) presents the proposed annual activity program¹³). To facilitate project proposals, this document guided consultation among participants on Albanian market issues, topics raised by the Governor of the Bank of Albania at the Banking Forum, the Strategic Directions for the Albanian Financial Sector outlined in the National Strategy for Integration and

¹³ (<http://www.spi-albania.eu/admin/js/filemanager/files/web/spicommittee/thirdmeeting/02%20SPI%20Albania%20Proposed%202009%20Program.pdf>)

Development (2007–2013) and the Bank of Albania regulations issued in 2008. The SPI Secretariat should look for similar issues in modifying the questionnaire.

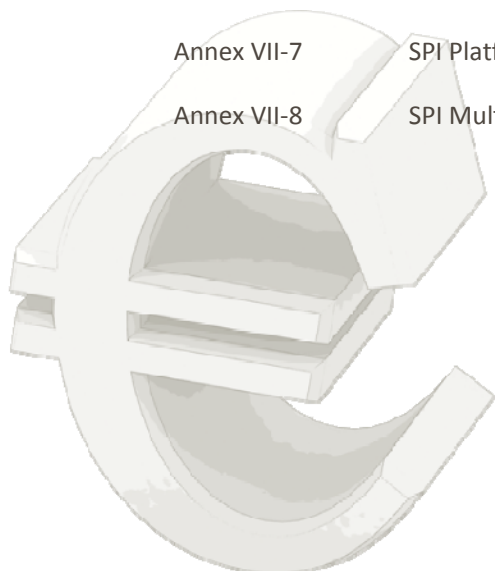
Another source of SPI projects is analysis of the current state of the market compared with the EU Financial Services Action Plan (FSAP) to identify issues where the SPI could be involved and issues that were not proposed by the stakeholders. The directives of the Government for achieving EU *acquis* are to be considered by the SPI Secretariat as complementary to project proposals by the public authorities.

On the basis of information gathered through the questionnaires, the SPI Secretariat must set up bilateral talks with the proposers of projects to understand the problems to be addressed and the regulatory implications. Project proposals should be listed in a table that should be sent to SPI stakeholders for prioritization.

Of the proposals prioritized by SPI stakeholders, projects for the current year should be selected, bearing in mind that the SPI Secretariat could be expected to manage two or three projects in four months. The SPI General Manager then has to plan the implementation of the activity program for the current year.

The proposed SPI multi-annual activity program has to be presented for the SPI Committee for approval in the format presented in **Annex VII-8**. The approved program should then be communicated to the SPI stakeholders.

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What Are the Main SPI Platform Operating Processes?

Chapter 8 provides an overview of SPI activities and documentation. The SPI Committee operating guidelines are completed, with more details on project management group activities and on EU Better Regulation methods. Most documents prepared by the SPI Platform are standardized; the **annexes** to this chapter contain templates to be used for project documents and for activity planning and reporting.

8.1. SPI Committee Operating Guidelines

The SPI Committee operating guidelines (see **Annex I-1**) and their annexes govern the activities of the SPI Platform. They provide the rules and procedures for decisions and executive activities in the SPI Platform for all stages of project-related activities:

- the functions of the SPI Committee;
- Project selection and approval (see Annex II of the SPI Committee Operating Guidelines);
- Project implementation (see Annex III); and
- Enactment activities (see Annex IV).

Annex V of the SPI Committee Operating Guidelines presents the cooperation between SPI stakeholders and the SPI Secretariat when deciding on projects to undertake, identifying solutions, reaching consensus on the proposals and enacting the agreed solutions.

8.2. Organizing Project Activities

The essence of the SPI Platform work methodology is that individual projects are placed under the responsibility of a Project Owner who is appointed by the SPI stakeholder proposing the project. The Project Owner assembles a public-private Project Management Group; provides guidance to project working activities; endorses final project working group recommendations before they are transmitted to the SPI Committee for discussion and endorsement; and leads post-SPI Committee approval enactment promotion activities with relevant authorities.

The Project Manager and Co-Project Manager, with SPI Secretariat support, identify the technical expertise needed in the project working group and recruit the experts; clear the documents prepared by the SPI Secretariat before submission for project working group discussion; lead project working discussions.

The responsibilities of project working groups (see Annex III of the SPI Committee Operating Guidelines) are summarized in **Annex VIII-1**. This document should be handed to project working group members at their first project meeting. For some of the projects, domestic or international experts, known as technical anchors or TANS, may be needed to identify the most appropriate solutions.

The presentation shown in **Annex VIII-2** helps the SPI Secretariat to explain: i) what it is expected from the project management team and from the project working groups; ii) SPI Committee responsibilities; and iii) EU Better Regulation methods. The Annex explains the steps for analysis and provides examples from the SPI Albania project in terms of understanding a problem, the general, specific and operational objectives of the project and identification of possible solutions.

Annex VIII-3 sets out models for sharing responsibilities between project working groups, TANs and the SPI Secretariat in three situations:

- when the project working groups and SPI Secretariat can achieve project objectives without additional expertise;
- when project working groups and the SPI Secretariat ask for the assistance of a TAN, but most of the analytical work is done by SPI Secretariat;
- when the SPI Secretariat has a supporting role, with the analytical work covered by a TAN.

Examples of minutes of meetings that must be prepared by the SPI Secretariat to record discussions of documents and project progress is presented in **Annex VIII-4**. It is important that the SPI Secretariat accurately records points raised by project working group members during discussions and notes the conclusions reached. Practical examples can be downloaded from <http://www.convergence-see.eu/instrument/project-working-groups.html>.

8.4 Project Documents

In the Annex section are shown examples of standard SPI project documents based on EU Better Regulation approach (see **Annex VIII-5**) to be prepared by the SPI Secretariat as projects develop:

- Terms of Reference (**Annex VIII-6**);
- Scoping the Problem (**Annex VIII-7**);
- Note on International Experience (**Annex VIII-8**);
- Cost-Benefit Impact Analysis (**Annex VIII-9**);
- Summary of the cost and benefits analysis (**Annex VIII-10**);
- Final project working group recommendations document (**Annex VIII-11**).

Use of standardised documentation is a key operational process to enable the small SPI Secretariat team support many domestic expert teams to execute the financial modernization program. International experts bring with them their own idiosyncratic project management methodologies which are ill-suited for the emergence of local analytical and project management capabilities.

A detailed **Terms of Reference**, to be approved in the first project working group meeting, becomes the roadmap that will guide the work, step-by-step, with a strong focus on quick resolution of the solution-finding process.

The **Scoping the Problem** document provides a succinct institutional, legal and regulatory context, defines the nature of the problem to be solved (either a market or a regulatory failure), assesses the impact of this failure on the authorities policy goals and outlines possible solution options.

The **Note on International Experience** provides a benchmark on how the problem at-hand has been addressed in other relevant countries or group of countries. It helps guide the project working group to identify solutions that would work in an international context.

The **Cost-Benefit Analysis** is an essential part of the solution-searching as it purports to understand how proposed regulatory measures may affect clients, financial intermediaries and financial authorities. It provides a "reality-check" on how whether the intended solution (or solution options) is likely to work out in practice. The resulting **Summary** is then discussed in a Market Consultation context to generate technical consensus on the final recommendation.

The **Recommendation** document, cleared by the Project Owner, contains the proposed official decision document, together with background analyses that will help the enacting authority process the proposal through its own decision-making circuit.

These documents, codified by EU financial regulators as helping achieve the goals of "Better Regulation", are also very useful to catalyze transparent and evidence-based analytical collaboration between public sector and private sector experts, consistently with the high integrity standards now being implemented internationally for public-private policy dialogue.

8.5 SPI Secretariat Reporting

The SPI Secretariat may plan activities and reporting on a weekly basis (see **Annex VIII-12**). It should also prepare monthly activity reports (see **Annex VIII-13**) to be sent to SPI Committee members, SPI partners and to the SPI website.

In order to have a comprehensive image of all activities project or non-project related and of their progress, SPI Secretariat could use a multi-week planning board as exemplified in **Annex VIII-14**.

To obtain a clear picture of stakeholders' involvement in SPI activities, it is recommended that quarterly or bi-annual analyses be carried out of each party's contribution to the partnership, in line with the example of an SPI Romania report (**Annex VIII-15**).

For Annual Reports, the SPI Romania 2007 and SPI Albania 2008 reports could be used as benchmark¹⁴.

8.6 Project Evaluation

It is a good practice to ask project working group members to evaluate the activities of the SPI Secretariat at the completion of a project. This helps improve performance and is an effective mechanism for feedback of financial community views of the activities of the SPI Platform. Project working group members should be given an evaluation questionnaire (see **Annex VIII-16**) at their first meeting so that they can familiarize themselves with the aspects of Secretariat performance to be observed.

Annex VIII-17 gives an example of a summary of SPI Secretariat performance as appraised by project working group members in Albania.

¹⁴ SPI Romania: http://www.spi-romania.eu/admin/filemanager/files/spi_romania_annual_report_2007.pdf

SPI Albania: <http://www.spi-albania.eu/admin/js/filemanager/files/web/news/SPI%20Albania%20Annual%20Report%202008.pdf>

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ADDITIONAL READING

1. Examples of SPI Albania and SPI Romania Project Working Group Meetings activities
<http://www.convergence-see.eu/instrument/project-working-groups.html>
2. Example of SPI Albania Secretariat Activity Evaluation
http://www.convergence-see.eu/IMG/pdf/SPI_Albania_Secretariat_evaluation_Liquidity_Octobe_2009.pdf
3. Example of a Cost-Benefit Qualitative Analysis Questionnaire
http://www.convergence-see.eu/IMG/pdf/Capital_Adequacy_Questionnaire.pdf
4. Example of SPI Secretariat Activity Planning Reports
<http://www.convergence-see.eu/instrument/spi-secretariat.html>

How Can EBF Help Its Associates?

9.1. EBF Assistance for its Associates

One of EBF's guiding principles refers at promoting Better Regulation in the EU and at winning support for regulatory convergence abroad, in order "to alleviate the burden on banks and improve their competitiveness".

EBF identified the SPI Platform, designed and operated by the World Bank's Convergence Program, as a suitable instrument to implement these guiding principles in candidate and other countries in Eastern Europe.

By sponsoring the publication of this *Toolkit*, EBF offers a new service to its Associates –support for implementing SPI Platform and for helping raise financial support for these activities from EU financial assistance programs. Through the *Toolkit*, EBF helps to enhance the analytical capacities of its Associates, with positive effects on the integration of candidate and other Eastern European countries into the EU Single Financial Market.

EBF supports its Associates in establishing and operating SPI Platform partnerships (please see **Annex IX-1** – the letter to EBF Associates). Possible EBF support measures are provided in **Annex IX-2**.

9.2. EBF Support at each Stage of Implementation

9.2.1. Support for Associates in Building Consensus on Establishing SPI Platforms

Through the letter presented in **Annex IX-1**, EBF could encourage its Associates to state their commitment to bilateral discussions with members of banking associations and public authorities.

EBF might consider participating in meetings with stakeholders if required to do so by the Associate. The presentation in **Annex IX-2** may be used to illustrate EBF's offer on such occasions.

EBF experts could also participate in the Better Regulation and RIA seminar to share the knowledge of the experiences of EU members, as reflected in its December 2007 report¹⁵.

9.2.2. Support for Associate in Preparing a Request for EU Funding for an SPI Platform

EBF can keep its Associates informed of changes in the assistance programs developed by the European Commission and could provide samples of successful applications. It can also provide supporting letters to back up its Associates' funding applications, and could intervene to facilitate the formation of the regional partnerships. And, depending on the needs of Associates, EBF could help to mobilize assistance in drafting the application for EU funding.

¹⁵

http://www.fbe.be/DocShareNoFrame/Docs/1/HOMLKALBOMBBOBFOCMJFGNKABRDVOHT4JH681BOQHUC5N/EBF/docs/DLS/Better_Regulation_EBFReport_2007-2007-02318-01-E.pdf

EBF might consider applying for EU funding itself, and take part in forming a European partnership. As a beneficiary of EU funding, EBF would have the financial means to provide technical assistance, organize training and knowledge-sharing events for its partners, offer guidance on efficient operation of SPI Platforms, assess their performance and promote best practices and regional initiatives.

9.2.3. Assistance to Associates in SPI formation

EBF may send a congratulatory letter to the newly established SPI Committee on the occasion of its first meeting (**Annex IX-3**). This will reinforce its support for the initiative and offer its contribution SPI Committee activities.

9.2.4. Support in Operating the SPI Platform

EBF can provide support for projects run by SPI Platforms through its members. Technical assistance might take the form of peer review of documents produced by project working groups or advice on international experience, EU regulations and possible solutions to problems.

EBF can make available to SPI Platforms a list of experts to be contacted if needed, and can facilitate contact with them and encourage their participation in SPI Platform events or projects.

EBF can use its regular meetings to share knowledge about SPI Platforms. It could organize special events and training seminars or workshops by pooling resources from SPI Platforms and from its members.

The EBF website could host a forum for SPI Platforms where members can share views, concerns and solutions.

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Annex IX-3 European Banking Federation Congratulatory Letter	335



Useful Reading

- Has the Italian Banking Association (A.B.I.) Contributed to Financial Sector Development in Italy? A Case Study Report (December 2005)
http://www.convergence-see.eu/IMG/pdf/Cesarini_Report.pdf
- "Financial Sector Development: Why and How to Build a Public Private Partnership" (May 2005)
http://www.convergence-see.eu/IMG/pdf/LP_Speeches_15_-_Financial_Sector_Development_When_and_How_to_Build_a_Public_Private_Partnership_-_Tshakhdzor_May-05.pdf
- Roger W. Ferguson Speech: "Financial regulation - seeking the middle way"
http://www.convergence-see.eu/IMG/pdf/Regulations_-_The_Middle_Way.pdf
- "Managing Regulation in a New Era", McKinsey Quarterly (December 2008)
http://www.convergence-see.eu/IMG/pdf/McKinsey_Quarterly_Dec_2008_-_Managing_regulation_in_a_new_era.pdf
- "The Financial Industry Calls for Action to Strengthen the Global Financial System and Promote Stability in Financial Markets " (July 2009)
<http://www.iif.com/press/press+76.php>
<http://www.iif.com/download.php?id=/11YetxP3hE=>
- "What Does SPI Albania Do?" SPI Committee and SPI Secretariat Presentations to the EU Conference on Donor Coordination to the Western Balkans and Turkey (April 2009)
<http://www.spialbania.eu/admin/js/filemanager/files/web/news/SPI%20Albania%20Donor%20Conference%20SPI%20Committee%20Presentation.pdf>
http://www.convergence-see.eu/IMG/pdf/SPI_AlbaniaDonorConferenceSPISecretariatPresentation.pdf
- "How to Change a Law in Six Months: Improving Auction Procedures for Immovable Collateral under Foreclosure" (July 2009)
<http://www.spi-albania.eu/admin/js/filemanager/files/web/news/FPD%20-%20Improving%20auction%20procedures.pdf>



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