

Mr. Lucas PAPADEMOS  
Vice-President  
European Central Bank  
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Brussels, 30 June 2008

**Subject: World Bank's SPI Convergence Program**

Dear Mr. Papademos,

The modernisation of the financial sector of the new member states, in particular those of most recent accession, and of candidate and associate countries (e.g. Croatia, Turkey, Albania, Montenegro, Serbia) is an important policy objective for many EU financial institutions as it is for the European Central Bank.

In the recent bi-annual meeting of the Associate Members of the European Banking Federation, an interesting presentation was made about SPI Romania ([www.spi-romania.eu](http://www.spi-romania.eu)), a public-private financial sector modernisation program that Romania launched in 2006, supported by an innovative institutional design introduced by the World Bank's Convergence Program (see Enclosure).

SPI Romania represents in many ways an exemplary commitment by the Romanian financial authorities to engage with the banking community (and representatives of the consumer protection agency) through Better Regulation techniques in order to design regulatory and self-regulatory measures to address financial sector modernisation challenges, in strict accordance with the taxonomy developed by the European Central Bank (e.g., asymmetric information, completeness of markets, opportunities to engage in financial transactions, reduced transaction costs and increased competition). Albania has launched a similar institutional mechanism recently.

I would be grateful if the European Central Bank could consider giving public recognition to these important endeavours to promote financial sector modernisation.

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Reference to the SPI Romania and SPI Albania activities in speeches by European Central Bank officials would greatly catalyse efforts for financial integration in the broader South-East and Easter Europe area and provide a strong incentive for collective action, including a stronger involvement of financial market private sector participants in modernisation activities.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Guido Ravoet', is written over a faint, light blue circular watermark or stamp.

Guido RAVOET  
Secretary General

Enclosure: Convergence Program: Public-Private Financial Sector Modernisation in South-East Europe (Ref: D1331)



EBF Ref: D1331

## **CONVERGENCE PROGRAM**

### **Public-Private Financial Sector Modernisation in South-East Europe**

Within its regional mandate, the World Bank's Convergence Program aims to promote financial modernisation as defined by the European Central Bank: "*Financial modernisation refers to the process of financial innovation and organisational improvements in the financial system that reduces asymmetric information, increases the completeness of markets, increases opportunities for agents to engage in financial transactions through (explicit or implicit) contracts, reduces transaction costs and increases competition*".

The Convergence Program adopts a programmatic approach and the use of evidence-based analysis supported by market consultations ("Better Regulation"). Its activities are based on the following principles:

- unanimous public-private agreement on a modernisation program with strong public and private benefits;
- comprehensive analysis and careful recommendation of possible solutions prepared by teams of local public and private experts with occasional international help;
- unanimous public-private agreement on how to implement the recommendations; and
- strong implementation discipline to reach the intended public and private benefits.

Operationally, the Convergence Program intervenes at two levels:

- it promotes the formation of a high level public-private steering committee that decides the modernisation program and monitors its implementation;
- it recruits and trains a small Secretariat that supports the analytical and technical consensus-building activities of local public-private working groups.

To strengthen evidence-based policy design skills in the region, the Convergence Program has delivered four extensive and in-depth Regulatory Impact Assessment Knowledge Transfer Programs in Albania, Bulgaria, Romania and Slovenia (regional). About 100 South-East European financial regulators have been exposed to the EU Better Regulation techniques through class sessions delivered by EU regulators and practical case work facilitated by Convergence Program staff.

Through these activities, the Convergence Program helps create an institutional infrastructure in South-East Europe with analytical, consultative and implementation skills and incentives that support collaborative large-scale financial sector modernisation programs centred on micro-regulatory reforms.

The Convergence Program has started its activities in Romania<sup>1</sup> and is now supporting a modernisation program in Albania, as part of a broader regional initiative. It has helped the International Finance Corporation launch a modernisation program in Bangladesh.

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<sup>1</sup> [www.spi-romania.eu](http://www.spi-romania.eu)