

Goals of Convergence

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February 2005

1. External goals

The ultimate goal of Convergence is to stimulate sustainable growth of financial intermediation in the countries of operation, accelerating the catch-up process on the western European economies and thus significantly shortening the time needed for achieving nominal and real convergence in this particular area. The Convergence will achieve this by helping create a business friendly environment in banking, through the establishment of a mechanism for regular consultations between the regulatory authorities and the market participants.

In turn, to achieve the above, the Convergence will have to prove itself as a particularly useful project for all the stakeholders. Below are presented the benefits the stakeholders can expect to draw from the project. Delivering on them will constitute the goals of the Convergence.

1.1 In relation with the local authorities

To help improve the decision-making process, making it more transparent and less error-prone, thus reducing the political risk associated with less popular policy measures.

To help improve the perception of foreign investors, by providing to them the assurance that their investments in banks will be less exposed to arbitrary decisions of the authorities and that they will be given a fair chance to present their position before decisions affecting their interests will be made.

To help increase the flows of funds from IFIs, the EU and other donors, as disbursement speed of existing programs will grow and new programs will be generated.

To create a model which the authorities may replicate to other sectors of the economy as well.

To help make the banking sector a locomotive for the growth of the whole economy.

Ultimately, to speed-up the moment of their full integration in the EU.

1.2 In relation with the local banks

To help increase the predictability of their activity, by reducing the fear of future losses due to unexpected, arbitrary and ultimately detrimental measures taken by the authorities.

To help banks increase their volume of activity by tackling new products and services, as a more level playing field is established and roadblocks on certain activities are jointly identified and then removed.

To help create a virtuous circle - increased activity will result in lower unit costs, this will bring down the margins, thus attracting more customers, which in turn will result in lower unit costs and so on.

To increase trust of consumers in banks, since the regular consultations will improve the mutual understanding of the issues confronting each side.

1.3 In relation with the consumers

To help them organise themselves, by providing them with successful models working in more advanced countries, as well as with the initial funding and advice to get started.

To give them a voice to protect their interests, both in relation with the authorities and the banks.

To increase their access to finance and reduce their costs.

1.4 In relation with the IFIs and other donors

To help them accelerate disbursement on existing projects

To help them design new projects, by supplying useful information on what the financial market really needs.

1.5 In relation with the EU

To help accelerate the process of convergence of the countries of operation as far as bank activity is concerned, and therefore accelerate the integration process.

2. Internal goals

To become self-sustainable, meaning to become able to generate resources for going-on. Ideally, if highly successful, Convergence should get contributions not only from IFIs and other official external donors, but also from private stakeholders from the countries of operations (authorities, consumer associations, banks, foreign investors).

To expand geographically. In time, the Convergence may become the victim of its own success in its current countries of operation, so that the consultation mechanisms will become sophisticated enough not to need an outsider broker any longer. Therefore, the project may need to move eastward, first to countries like Moldova, Ukraine, Georgia, Armenia, and in the longer term even more eastward.

To achieve a virtuous circle, so that the professional and moral stature of its specialists will generate impressive results, and those results will attract more specialists of outstanding quality in the project, ultimately to become a center of excellence, so that it becomes an institutional landmark in shaping the future of the countries of operations.

EXTERNAL AND INTERNAL CONVERGENCE OBJECTIVES

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February 2005

External Objectives

Authorities

1. To contribute in improving the shape of country's regulatory and legislative framework through encouraging dialogue and developing a culture of partnership in the area of financial services including those related to banking, deposit insurance, leasing, investment, insurance companies, pension schemes converging toward international standards and the EU legislative framework.
2. To communicate the financial industry's views with Government, the Financial Services Authorities, central banks, the press, international donors.
3. To assist in outlining a working agenda for financial sector reforms in order to increase the efficiency and market-friendliness of financial intermediation.
4. To help in safeguarding financial stability in the Western Balkans and reduce risks by means of better bank governance and stronger bank surveillance.
5. To tackle the issues of inflexible market structures, legal and supervisory barriers and administrative difficulties in the financial markets of the region.
6. to assist in forcing issues of corporate governance and financial reporting into the local authority policy agenda.
7. to help ensure that the national and foreign governments, as well as local and foreign regulators, act to promote a regulatory environment allowing foreign banks to deliver efficiently and freely international banking services to their customers in the region.

Financial Intermediaries- FIs (local and foreign)

1. to promote the enforcement of rules, good practices and international codes and standards and the development of industry standards and conventions with the purpose of enhancing the efficiency and soundness of the financial system (*adoption of international reporting standards, Basel II Accord, risk management techniques, etc.*)
2. to promote healthy competition that benefits both FI-s and consumers.
3. to ensure stronger private sector involvement in the design of financial market regulations/framework.
4. to contribute in informing FI-s on how recent developments will affect their businesses and disseminate lessons of Convergence experience.
5. to influence in FI-s stepping up their efforts in increasing the transparency on corporate governance issues (such as collective responsibility of board members, accountability, responsibility and fair treatment of shareholders, etc.) and include them as part of their regulatory framework.
6. to enhance participatory mechanisms, especially to connect the new bank investors (foreign) to the local institutional context under conditions of transparency and predictability.
7. to provide an educational and networking platform for FI-s and financial sector regulators of the region (through seminars, conferences, publication) to keep them abreast of regulatory and financial market developments.

Public awareness

1. To promote an effective public-private sector dialogue on financial sector issues in the Western Balkans in order to ensure more transparency on convergence, through public awareness. The aim is to fill information gaps, clear up misunderstandings and promote a relationship of trust between banks and general public.
2. to help promote an understanding of the banking industry to the general public, all levels of governments, international bodies, interest groups, business and the media through a wide range of activities including consultations, reports, submissions, speeches, publications.
3. to promote regular debates with all the market actors to underline the responsibility of the private commercial banks within society.

Actors/Associations/Consumers

1. To help increase the number and quality/reputation, authority of the existing market associations through their involvement in the dialogue with local authorities and regulators.
2. To enhance consumers and businesses financial literacy in order to make informed decisions through coordination with media, interest groups, bankers' associations, banking system and legislators.
3. To help expanding finance to underserved market segments: retail consumers can benefit from new and cheaper banking solutions and SME-s from increased credits.

International

4. to add value to the representation of Balkan interests at international fora.
5. to encourage close co-operation amongst the authorities within the Balkans responsible for legislation implementation.
6. To work closely/coordinate with international organizations/donors to channel funds in programs aiming at developing financial intermediaries and infrastructure in the region, searching synergies through networking practices.

Internal Objectives

1. The program should focus on serving ***as a contact point*** for :
the parliament, ministries, central bank, associations, businesses and authorities in all financial issues in general and banking issues in particular.
2. Thanks to its professional, moral stature and authority, Convergence should establish itself as a unique, fully independent and indispensable entity where all the constituencies: the FI-s, civil servants, market players, consumers regularly call on the expertise to enable them to properly assess specific financial issues.
3. Convergence will contribute in a consultative capacity with its high level of expertise to regulatory issues, by participating in the formulation of legislative proposals or in technical committees on the national, regional, and international levels.
4. to become a catalyst in the development of solutions in international banking legislation and regulation.
5. In the medium to long-term Convergence should reach its financial viability by being able to collect income from its activities and services offered to the FI-s and associations and various donor programs.
6. It should foster international, regional and bilateral cooperation with other financial bodies so as to serve as a channel of expertise on banking operations, capital markets and developments in the financial and banking sector.