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**Convergence Program**  
An Independent Evaluation

**Context**

The World Bank and Italy joined in a partnership in July 2005 to promote financial sector modernization in South-East European (SEE) countries through micro-regulatory reforms designed in partnership by authorities and market participants under the aegis of the “Convergence Program” (Convergence).

As recently defined by an ECB Executive Board member, “*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*”.

Financial modernization requires a set of analytical, organizational and consultation skills that can be found in high-performing societies.

Mandate

Convergence’s mandate is to stimulate the development of these practices in selected SEE countries so that financial modernization can proceed sustainably under local leadership and ownership.

Activities

To reach this objective, Convergence operates at two levels: a) it promotes the establishment and supports the activities of a high level public-private country steering committee (the SPI Committee) that considers micro-regulatory change proposals before official regulatory action is launched; b) it helps orchestrate the analytical activities of public-private working groups that prepare regulatory change proposals through a dedicated resident team (the SPI Secretariat).

Approach

Convergence's innovative approach lies in its *practical* focus (targeting regulatory changes that make a tangible difference on financial intermediation, measured via extensive use of regulatory impact assessment analysis), *strong implementation orientation* (success measure is regulatory changes enacted - not studies), *market-friendliness* (sourcing micro-regulatory reform issues from both authorities and market participants), *flexible cooperation arrangements* with several technical partners, and *long-term sustainability* made possible by the local public-private cooperation that Convergence catalyzes through its "honest broker" role.



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### Success

Its *short-term* success is measured by the volume of regulatory changes enacted through this public-private consultation mechanism. Its *medium-term* success is measured by the progressive outsourcing of analytical activities within the market participant community. Convergence expects that its *country capacity-building mandate* could be largely accomplished over a three-year term, given strong private and public pay-offs from regulatory fine-tuning.

### **The Evaluation**

In this context, with the Program approaching its mid-term, and at a time when contractual partnerships with beneficiary countries are being considered, an evaluation will allow beneficiary countries, the Italian Ministry of the Economy as donor and the World Bank as program administrator to consider the effectiveness of the Program in delivering on its mandate.

The evaluation of the Convergence Program activities should be performed from the perspective of beneficiary countries – as represented primarily by both regulatory and supervisory authorities and market participants interested in financial sector modernization. The consumer point of view is part of the Convergence's mandate but not much work has been done so far on this dimension.

The evaluation should consider the adequacy of the organization set-up, the nature of the activities undertaken and the depth of the partnerships shaped with local and international stakeholders in order to accomplish the mandate of the Program as defined above.

The evaluation should suggest organizational and other operational adjustments for the Program to increase its impact and cost effectiveness.

### Method

The evaluation will be undertaken by an eminent person (the Evaluator), possibly assisted by one or two peer reviewers. Evaluator and peer reviewers need to have recognized financial policy experience, from both an official and business angle, in South-East Europe.

The Evaluator will have access to Convergence material without limitations to establish an issues paper with relevant evaluation questions. The Evaluator will need to interview relevant Convergence management and staff before undertaking an external validation of the Convergence activities with local stakeholders, primarily located in Romania. The Evaluator will write up a draft evaluation that will be discussed with Convergence management and local stakeholders (and the peer reviewers). The respondents will be allowed to send written observations. The Evaluator will then prepare the final report in



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total independence and send it to Convergence management, Romanian stakeholders and the Italian Ministry of Economy directly.

#### Governance, Reporting and Administrative Arrangements

The Evaluator will undertake this assignment in total independence. From an administrative point of view, he will report to the Head of Convergence. His/her work contracts will be issued by the World Bank, the administrator of the Convergence program, according to its applicable guidelines.

#### Activity Budget

The budget for this assignment is expected to cover up to eight days, including up to two days for preparation, two days for the field visit and up to four days for report writing.

#### Timeline

It is useful if the field visit could take place in December.

The preliminary evaluation report should be completed in January.

The final report should be completed by the end of February.