



# **Building-up**

# **SPI Albania Project Pipeline**

## **Consultations with SPI Albania stakeholders**

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# PRELIMINARY SPI ALBANIA PROJECT PIPELINE

## Business Development

1. Improve corporate/consumer lending
2. Developing scoring card system for individuals
3. Strengthening the stock exchange
4. Facilitating leasing transactions
5. Securitization
6. Strengthening the AAB
7. Facilitating agricultural lending
8. Facilitating lending to tourism
9. Lending to municipalities
10. Increasing mortgage loans
11. Facilitating structural lending
12. Improving the lending environment
13. Facilitating lending to PPPs
14. Strengthening bank staff

## Industry Competitiveness

15. Improving credit risk in consumer lending
16. Better credit risk management
17. Improving KYC policies
18. Facilitating expansion of bank activities
19. Reducing cash transactions
20. Improving auction procedures for buildings
21. Optimize Anti-Money Laundering reporting
22. Improving write-off of bad debts
23. Accounting stopping

## Industry Reputation

24. Financial Ombudsman
25. Regulating bank communications of 'effective' interest rate (EIR) offered to consumers
26. Consumer financial education

# SPI Albania Modernization Matrix

	European Central Bank CRITERIA					
	Asymmetric information	Completeness of the market	Increased opportunities to engage in financial transactions	Reduced transaction costs	Increased competition	
Italian Banking Association CRITERIA						
Business development	1.Improve corporate/consumer lending 2. Developing scoring card system for individuals	3. Strengthening the stock exchange 4. Facilitating leasing transactions 5. Securitization 6. Strengthening the AAB	7.Facilitating agricultural lending 8. Facilitating lending to tourism 9. Lending to municipalities 10. Increasing mortgage loans 11. Facilitating structural lending 12. Improving the lending environment 13.Facilitate lending to PPPs	14. Strengthening bank staff		
Industry competitiveness	15. Improving credit risk in consumer lending 16. Better credit risk management 17.Improving KYC policies		18. Facilitating expansion of banks activities	19. Reducing cash transactions 20. Improving auction procedures for buildings 21. Optimize Anti-Money Laundering reporting 22. Improving write-off of bad debts 23. Account stopping		
Industry reputation		24. Financial ombudsman			25. Regulating bank communications of “effective” interest rate (EIR) offered to customers 26. Consumer financial education	
	<b>5</b>	<b>5</b>	<b>8</b>	<b>6</b>	<b>2</b>	<b>3</b>

# SPI Albania Proposed Priority Projects

	European Central Bank CRITERIA				
	Asymmetric information	Completeness of the market	Increased opportunities to engage in financial transactions	Reduced transaction costs	Increased competition
<b>Italian Banking Association CRITERIA</b>					
<b>Business development</b>					
<b>Industry competitiveness</b>					
<b>Industry reputation</b>					
					4



<b>Project Title/No. 1</b>		<b>Improve corporate/consumer lending</b>
<b>Project Category</b>	ABI	Business Development
	ECB	Asymmetric Information
<b>Description-Background</b>		Introducing sharing of positive information on clients is seen as useful credit-bureau feature to improve lending.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
<b>SPI Committee Involvement Rationale</b>		
<b>Actionable SPI Committee Proposal</b> (prepared by SPI Secretariat)		

<b>Project Title/No. 2</b>		<b>Developing scoring card system for individuals</b>
<b>Project Category</b>	ABI	Business Development
	ECB	Asymmetric Information
<b>Description-Background</b>		Banks feel the need to have a scoring system for individuals. The establishment of the Credit Bureau is the ground for building it.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
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<b>Project Title/No. 3</b>		<b>Strengthening the stock exchange</b>
<b>Project Category</b>	ABI	Business Development
	ECB	Completeness of the Market
<b>Description-Background</b>		Although in Albania there is a stock exchange, it has no proper regulations for transacting.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
<b>SPI Committee Involvement Rationale</b>		
<b>Actionable SPI Committee Proposal (prepared by SPI Secretariat)</b>		

<b>Project Title/No. 4</b>		<b>Facilitating leasing transactions</b>
<b>Project Category</b>	ABI	Business Development
	ECB	Completeness of the market
<b>Description-Background</b>		There is no proper legal framework for leasing activities.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
<b>SPI Committee Involvement Rationale</b>		
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<b>Project Title/No. 5</b>		<b>Securitization</b>
<b>Project Category</b>	ABI	Business development
	ECB	Completeness of the market
<b>Description-Background</b>		Lack of regulatory framework felt
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
<b>SPI Committee Involvement Rationale</b>		
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<b>Project Title/No. 6</b>		<b>Strengthening the AAB</b>
<b>Project Category</b>	ABI	Business development
	ECB	Completeness of the market
<b>Description-Background</b>		The association is “dysfunctional, ineffective, and non credible”.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
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<b>Project Title/No. 8</b>		<b>Facilitating lending to tourism</b>
<b>Project Category</b>	ABI	Business Development
	MCB	Increased opportunities to engage in financial transactions
<b>Description-Background</b>		The lack of a regulatory framework hinders the development of a bankable environment
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
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<b>Project Title/No. 7</b>		<b>Facilitating agricultural lending</b>
<b>Project Category</b>	ABI	Business Development
	ECB	Increased opportunities to engage in financial transactions
<b>Description-Background</b>		Farmers have difficulties in borrowing from banks due to lack of collateral (titles on the land being not clear, farmers cannot mortgage it). Micro-financing institutions are lending small amounts to farmers, but at very high costs. The collateral issue could be solved by establishing a guarantee fund for agriculture.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
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<b>Project Title/No. 9</b>		<b>Lending to municipalities</b>
<b>Project Category</b>	ABI	Business Development
	ECB	Increased opportunities to engage in financial transactions
<b>Description-Background</b>		There is no legislation on municipal bond issuance.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
<b>SPI Committee Involvement Rationale</b>		
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<b>Project Title/No. 10</b>		<b>Increasing mortgage loans</b>
<b>Project Category</b>	ABI	Business Development
	ECB	Increased opportunities to engage in financial transactions
<b>Description-Background</b>		The mortgage registration procedure is very long. An electronic register would facilitate this process. Banks also would like to have registered mortgage on unfinished buildings (it seems there is a WB project – to be checked). The lack of a city address system impedes property registration and prevents potential borrowers from using their property as collateral for bank loans.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
<b>SPI Committee Involvement Rationale</b>		
<b>Actionable SPI Committee Proposal</b>		14



<b>Project Title/No. 11</b>		<b>Facilitating structural lending</b>
<b>Project Category</b>	ABI	Business development
	ECB	Increased opportunities to engage in financial transactions
<b>Description-Background</b>		This is considered necessary to finance infrastructure in rural areas.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
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<b>Project Title/No.12</b>		<b>Improving the lending environment</b>
<b>Project Category</b>	ABI	Business development
	ECB	Increased opportunities to engage in financial transactions
<b>Description-Background</b>		Due to taxation level, Albanian companies don't keep an accurate evidence of their transactions. Accounting standards are very poor. Considering the official balance sheets, most companies are not creditworthy, although there are some other indications on the real situation. Banks have to rely on unofficial statements and various proxies for appraising the credit risk.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
<b>SPI Committee Involvement Rationale</b>		
<b>Actionable SPI Committee Proposal (prepared by SPI Secretariat)</b>		16



<b>Project Title/No. 13</b>		<b>Facilitating lending to PPPs</b>
<b>Project Category</b>	ABI	Business Development
	ECB	Increased opportunities to engage in financial transactions
<b>Description-Background</b>		Many of high value infrastructure projects are undertaken by PPPs. In Albania, there is no specific PPPs regulatory framework .
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
<b>SPI Committee Involvement Rationale</b>		
<b>Actionable SPI Committee Proposal (prepared by SPI Secretariat)</b>		

<b>Project Title/No. 14</b>		<b>Strengthening bank staff</b>
<b>Project Category</b>	ABI	Business development
	ECB	Reduced transaction costs
<b>Description-Background</b>		Training programs felt necessary at the industry level. Possible cooperation with Academia.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
<b>SPI Committee Involvement Rationale</b>		
<b>Actionable SPI Committee Proposal (prepared by SPI Secretariat)</b>		

<b>Project Title/No. 15</b>		<b>Improving credit risk in consumer lending</b>
<b>Project Category</b>	ABI	Industry competitiveness
	ECB	Asymmetric information
<b>Description-Background</b>		<p>The credit risk in consumer loans is appreciated as very high due to the lack of proper identification system (ID cards and addresses). The issue regards, in fact, all banks' relationship with clients because of the impossibility to properly identify and know the customers.</p> <p>Lack of registry for vehicles is a serious disincentive for car loans</p>
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
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<b>Project Title/No. 16</b>		<b>Better credit risk management</b>
<b>Project Category</b>	ABI	Industry competitiveness
	ECB	Asymmetric information
<b>Description-Background</b>		Access on statistics on industries and sectors. Create a company that collects and manages the information
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
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<b>Project Title/No. 17</b>		<b>Improving KYC policies</b>
<b>Project Category</b>	ABI	Industry competitiveness
	ECB	Asymmetric Information
<b>Description-Background</b>		Electronic Register of Commerce On-line system for customs, tax offices, courts, etc.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
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<b>Project Title/no. 18</b>		<b>Facilitating expansion of banks activities</b>
<b>Project Category</b>	ABI	Business development
	ECB	Increased opportunities to engage in financial transactions
<b>Description-Background</b>		In Albania, tax on profit is paid in advance, based on the budget projections. This prevents banks of gaining income from placing the respective amounts. At the same time the netting procedures are very long.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
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<b>Project Title/No. 19</b>		<b>Reducing cash transactions</b>
<b>Project Category</b>	ABI	Industry Competitiveness
	ECB	Reduced Transaction Costs
<b>Description-Background</b>		Cash is the most preferred means of payment by Albanian customers, due to tradition, lack of knowledge and trust in account operations, and fiscal reasons. Cash is cost and operational risk bearing and banks consider that its use should be discouraged or limited.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
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<b>Project Title/No. 20</b>		<b>Improving auction procedures for buildings</b>
<b>Project Category</b>	ABI	Industry competitiveness
	ECB	Reduced Transaction Costs
<b>Description-Background</b>		Banks complaint that the auction procedures for selling the mortgages are too long. When auctions go unattended, banks are legally obligated to purchase the auctioned buildings at a multiple of their market value.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
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<b>Project Title/No. 21</b>		<b>Optimize Anti-Money Laundering Reporting</b>
<b>Project Category</b>	ABI	Industry reputation
	ECB	Reduced Transaction Costs
<b>Description-Background</b>		Requirements for (e.g., on reporting) banks should be better defined, and practices should be harmonized.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
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<b>Project Title/No. 22</b>		<b>Improving write-off of bad debts</b>
<b>Project Category</b>	ABI	Industry competitiveness
	ECB	Reduced Transaction Costs
<b>Description-Background</b>		International best practice should be introduced.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
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<b>Project Title/No. 23</b>		<b>Account stopping</b>
<b>Project Category</b>	ABI	Industry competitiveness
	ECB	Reduced Transaction Costs
<b>Description-Background</b>		An appropriate regulatory framework is lacking.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
<b>SPI Committee Involvement Rationale</b>		
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<b>Project Title/No. 24</b>		<b>Financial ombudsman</b>
<b>Project Category</b>	ABI	Industry reputation
	ECB	Completeness of the market
<b>Description-Background</b>		Banks need out-of-court systems.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
<b>SPI Committee Involvement Rationale</b>		
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<b>Project Title/No. 25</b>		<b>Regulating bank communications of “effective” interest rate (EIR) offered to customers</b>
<b>Project Category</b>	ABI	Industry reputation
	ECB	Increased competition
<b>Description-Background</b>		Precise and uniform methodologies to calculate the EIR should be introduced to facilitate interbank comparisons from customers
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
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<b>Project Title/No. 26</b>		<b>Consumer financial education</b>
<b>Project Category</b>	ABI	Industry reputation
	ECB	Increased competition
<b>Description-Background</b>		A massive program should be introduced to improve education, awareness, and responsible borrower behavior.
<b>Impact drivers</b>	<b>Industry economic driver</b>	
	<b>Public good driver</b>	
	<b>Economics</b>	
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