



Note on the incorporation of SPI Albania as a legal entity

June 2008

Context

An independent expert, Mr. Marko Škreb, former Governor of Croatian National Bank, performed an assessment of the SPI Romania pilot program and formulated a set of recommendations for the sustainability of the program. Among these featured one to strengthen the institutional form, legal status and registration of the program.

According to the independent expert's recommendations, the institutional framework should be a solid construction, well-regulated and represented, which would have the capacity to attract, in the future, financing sources other than those coming from its initial sponsors.

General principles

Having in view its objectives (modernization of the financial market), features and methodology (public – private partnership, working with project working groups), the SPI institution should be a non-for-profit entity. At the same time, it should have the possibility to perform some revenue - producing activities.

In order to ensure its neutral position, the SPI institution should be an independent legal entity, meaning not located within any of the stakeholders' institutions.

The SPI institution should be financed in equal parts by the private and public stakeholders in order to preserve a balanced partnership and the neutral position. The Board of the institution should have a balanced private-public composition.

The Romanian example

In Romania, as one of the main stakeholders, National Bank of Romania, could not be a founder in or to sponsor a new institution, the decision was to have SPI Romania hosted by an existing institution (the Romanian Banking Institute), whose financing by NBR was allowed.

At the same time, Romanian Banking Association was the other founder and sponsor of the Romanian Banking Institute, therefore the principle on public-public financing could be easily implemented.

Romanian Banking Institute is a non-for-profit training center for the banking industry, organizing also mainly banking - related events (seminars, conferences, workshops, job fairs, etc).

Seeking for an incorporation solution for SPI Albania

Incorporating SPI Albania as a legal entity would facilitate the attraction of EU funds. At the same time, the organization, functioning and financing of SPI Albania should be a benchmark for similar SPI platforms in other countries in the Adriatic region (Montenegro, Bosnia and Herzegovina, Macedonia, Kosovo, Serbia).

Convergence Program started gathering information on the possible institutional solution for SPI Albania.

According to the Law on Bank of Albania, the central bank could not be a promoter of a NGO. Therefore, out of the SPI Albania's stakeholders, only AAB can play this role.

Under these circumstances, solutions have to be identified in order to preserve the SPI public – private feature of the activity funded from private sources.

As the newly established entity will need initial capital in order to continue the activities initiated with Convergence Program funding and to continue to build up the record track needed to support any funding request, AAB might feel the need to approach other financial associations to join the initiative, broadening thus also the scope of the entity.

Having as reference the Romanian example and based on the lack of a financial training institution on the Albanian market, one option could be to have a single legal entity hosting both activities.

Preliminary conclusions

- Bank of Albania cannot participate in financing or promoting a NGO, but could be involved in the oversight of the SPI Albania legal entity activities.
- In order to enforce the public-private partnership, the legal entity's Board could have representatives from BoA, MoF, AMF, AAB and other sponsoring professional associations.
- SPI Albania could have a mandate covering both the preparation of regulatory proposals for financial sector modernization and the delivery of training activities of the banking and financial industry staff.
- SPI Albania could be financed only by AAB or by AAB and other financial professional associations (such as the insurers' association), this leading to the broadening of its activities.
- SPI Albania will seek financing from public sources e.g., EU development programs.
- In order to facilitate EU financing, representatives of the Regione Puglia (i.e. Centro Italo-Albanese) could be invited to join the Board of SPI Albania to monitor activity and budget execution.

Proposed Next Steps

1. After SPI Committee endorsement of the present note, AAB will make a determination if it wishes to become the initial promoter of the legal incorporation.
 - a. AAB Secretariat and Convergence Program will collaborate to prepare a pro-forma business plan
 - b. Convergence Program and AAB will prepare a governance framework
2. AAB will seek the concurrence of other financial market associations to jointly promote the incorporation of SPI Albania.
3. Convergence Program will seek BoA, MEF, AMF and Regione Puglia concurrence to participate in the governance of SPI Albania as legal entity.
4. SPI Committee will review progress status in October.
5. After SPI Committee endorsement, AAB and Convergence Program will start procedures to incorporate SPI Albania.
6. SPI Albania could be operating as from January 2009.