HOW TO LAUNCH AND RUN AN "SPI PLATFORM" TO SUPPORT FINANCIAL SECTOR MODERNIZATION

Handbook

(Version 1)

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The Convergence Program

Launched in 2005 by the World Bank with support from Italy's Ministry of Economy and Finance, the **Convergence Program** promotes public-private financial sector modernization in South-East Europe.

Under a "BOT" concept (Build-Operate-Transfer), the Convergence Program helps authorities and market participants set up and operate a partnership (SPI Platform) responsible for the preparation by local working teams of micro-regulatory reform proposals based on "Better Regulation".

Local stakeholders take operational and financial responsibility for the SPI Platform after a two-year Convergence Program involvement.

The Convergence Program's mandate, renewed in December 2007, ends in 2009.

Foreword

This handbook gathers reference material that illustrates how to launch and run a sustainable SPI Platform to support a large financial sector modernization program.

It is based on the Convergence Program's experience with SPI Romania and Albania (SPI stands for Special Projects Initiative 1/).

It is my hope that this handbook will help promoters of this concept in other parts of the world design the governance and work methods of this innovative public-private partnership.

This partnership, which brings together the experience and knowledge of what is desirable and feasible from both a policy and a business perspective, can be a powerful engine to promote financial sector modernization.

- Luigi Passamonti
Founder and Head
Convergence Program
The World Bank

1/ www.spi-albania.eu and www.spi-romania.eu have more details.

A Financial Sector Modernization Program

The Romania Example

Italian Banking Association CRITERIA	European Central Bank CRITERIA				
	Asymmetric information	Completeness of the market	Increased opportunities to engage in financial transactions	Reduced transaction costs	Increased competition
Business development		1. Increasing bank lending under PPPs 5. Modernizing T-bill regulatory framework 11. T-bills OTC market organization 12. Environmental Lending 23. Promoting refinancing through securitization 24. BSE Listing T-bills	2. Co-financing with EU structural funds 3. Standard repo transactions 4. Development of Interbank Direct Debit 25. Securing down payments made by individuals for real estate projects 26. Supporting thermal rehabilitation of houses 27. Developing lending to municipalities		
Industry competitiveness	28.Database for risk rating the corporate clients 29.Centralized database for AML purposes		17. Electronic employment register and services 19. Loan-loss & Mortgage Loan Databases (2007) 20. Law on bank letters of guarantee (2007) 22. Improving access to and availability of the basic banking products	6. Reviewing bad debts recovery procedures 14. Improving account stopping regulation 15. Reducing the paper-based documents 16. Centralized tax roll 21. The banks' future contributions to RDGF	13. Various EU – related payment initiatives
Industry reputation	30. Better information on saving products	7. Bank ethics code 8. Expanding banking mediator 31. Ombudsman knowledge transfer	9. Basic bank products info 10. Basic bank products Advice 32. Enhancing corporate social responsibility in the banking industry	18. Improving NACP –RBA cooperation framework for consumer protection 33. Improving the quality of the education and professional training in the banking field	34. Enhancing financial consumer's protection 35. Responsible borrowing
	3	9	13	7	3

Legend: Focus projects Projects Other potential projects

SPI Romania Partners

- **National Bank of Romania**
- National Authority for Consumers Protection
- Ministry of Economy and Finance
- Ministry of Agriculture and Rural Development
- Ministry of Interior and Administration Reform
- Anti-Money Laundering Office
- TransFonD
- Credit Bureau
- National Authority for the Supervision of Personal Data Processing
- Rural Credit Guarantee Fund
- Grading Commission for Comestible Seeds
- Romanian Commodities Exchange
- Romanian Stock Exchange
- National Securities Comission
- The National Association for Consumers' Protection and Promotion of Programs and Strategies from Romania
- Italian Banking Association
- OECD
- International Finance Corporation
- World Bank

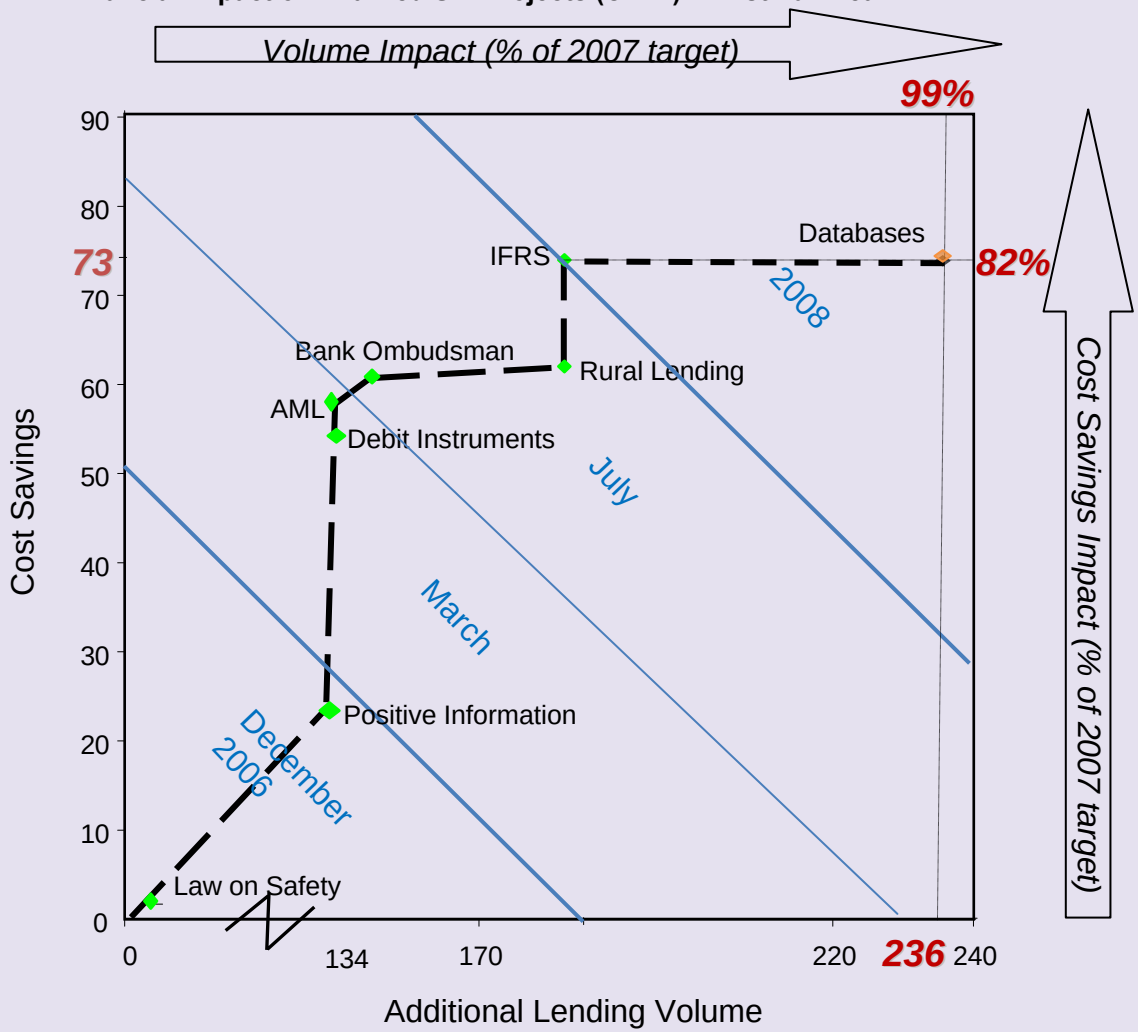
- **Romanian Banking Association**
- Raiffeisen Bank
- Raiffeisen Banca pentru Locuințe
- OTP Bank
- Banc Post
- CEC
- BCR
- Alpha Bank
- BRD-GSG
- UniCredit Țiriac Bank
- RIB Romanian International Bank
- Credit Europe Bank
- ING Romania
- Citibank
- ABN AMRO
- ATE Bank Romania
- Coface Romania
- Cargill
- KPMG
- Deloitte
- Clifford Chance
- Algoritmics
- Bearing Point
- Financial Ombudsman Service, UK
- Goodwood Financial Consulting

ROMANIA
CONVERGENCE FINANCIAL SECTOR MODERNIZATION
Public-Private Special Projects Initiative

2007 SPI Romania Activity

http://www.spi-romania.eu/spi-secretariat/activity-reports/

Financial Impact of Finalized SPI Projects (€ Mln) – First Full Year



Total number of projects: 14

(updated October 2008)

Self regulatory actions completed

1. Expansion of positive information sharing
2. Ombudsman
3. Consumer financial education
4. MiFID
5. Credit exposures stress testing techniques

Regulatory changes completed

6. E-processing of debit instruments
7. AML Law Amendments
8. Rural Lending

Regulatory changes underway

9. Law on goods safeguard, values and persons protection
10. IFRS loan loss provisioning
11. Mortgage loan servicing and loss given default databases

Proposals to be completed in 2008

11. Law on bank letters of guarantee
12. Roland Berger study

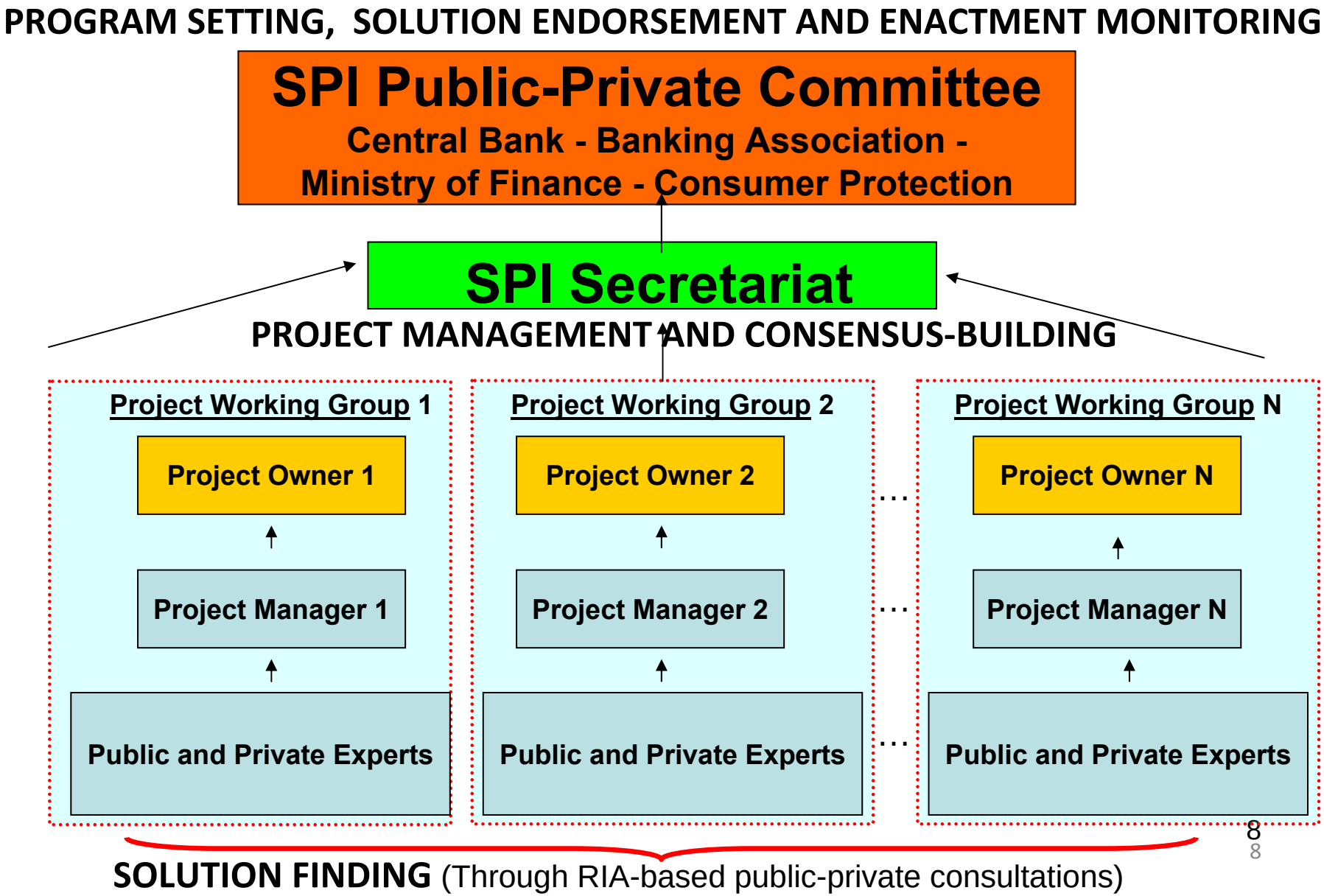
Abandoned: 1 project

14. Credit rating agencies

Launch Steps: The SPI Albania Example

January 2008	Bank of Albania and Association of Albanian Banks send Joint Commitment Letter to Convergence Program
January	SPI Seminar with banking community
Jan-Mar	Regulatory Impact Assessment Program
Feb-Mar	Consultations to build Activity Program
	SPI Secretariat recruitment
15 May	SPI Secretariat starts working
10 June	First SPI Committee meeting Approved SPI Albania 2008 Activity Program (6 projects) Approved SPI Committee Operating Guidelines
19 June	4 Project Owners appointed
25 June	More than 50 Project Managers and Project Working Group members appointed
3-4 July	First PWG Meetings
October 2008	First expected regulatory proposals

The SPI Platform



SPI PARTNERS

- **SPI PARTNERSHIP**
  - Central Bank
  - Banking Association
  - Ministry of Finance
  - Financial Market Authority
  - [SPI Technical Partner]

- Relevant documents (Albania example):
  - Central Bank-Banking Association commitment letter to SPI Technical Partner;
  - MoU between Banking Association and SPI Technical Partner;
  - SPI Committee Operating Guidelines;
  - Questionnaire for SPI project proposals.

SPI PARTNERS (2)

- **CENTRAL BANK/Ministry of Finance/ Financial Market Authority**
  - It may be an official co-promoter of the initiative
    - SPI projects complement high-level reforms
  - Member of SPI Committee
  - Main responsibilities:
    - Proposes some SPI projects and provides leadership;
    - Provides members to all PWGs;
    - Supports PWG activities with access to data;
    - Empowers its SPI Committee member to endorse SPI documents;
    - Takes actions for enactment of regulatory proposals endorsed by SPI Committee.

SPI PARTNERS (3)

- **BANKING ASSOCIATION**

  - It could be the main promoter of the initiative
    - SPI projects below the authorities' priority radar screen
  - Member of SPI Committee
  – Main responsibilities:
    - Covers cost of SPI Secretariat activities;
    - Proposes some SPI projects and provides leadership;
    - Provides members to all PWGs;
    - Supports PWGs activities with access to data;
    - Empowers its Chairman to endorse SPI documents;
    - Takes actions for enactment of regulatory proposals endorsed by SPI Committee.

SPI PARTNERS (4)

- **SPI Technical Partner** **[CONVERGENCE PROGRAM]**

- It can support the promoters launch the partnership, if invited
- Non-voting member of SPI Committee
- Main responsibilities:
    - Recruits SPI Secretariat staff;
    - Develops operating procedures in line with EU Better Regulation guidelines;
    - Under time-bound contract it manages day-to-day activities of SPI Secretariat;
    - Formulates proposals on projects to be undertaken based on international experience;
    - Mobilizes international expertise to support PWG work;
    - Supports SPI institutional development.

SPI PARTNERS (5)

- Other members/permanent observers of SPI Committee
  - Ministry of Justice
  - Consumer protection agency

- Main role: supporting rapid enactment of SPI regulatory proposals

SPI COMMITTEE

- **SPI COMMITTEE -** a high level commitment to public-private collaboration on financial sector modernization.
  - Members
  - Main responsibilities
  - Meetings
  - SPI Secretariat duties

- Relevant documents (Albania example)
  - SPI Committee Operating Guidelines
  - SPI Committee meeting agenda
  - SPI Committee meeting package
  - SPI Committee meeting minutes

SPI COMMITTEE (2)

- **SPI COMMITTEE**
  - **Members**:
    - Central Bank- Governor & Hosting Chairperson,
    - Banking Association - Chairman,
    - Other authorities – Senior Officials,
    - SPI Technical Partner (non voting)
      - The nominal list of SPI Committee members and observers and of their alternates is attached to the operating guidelines.
  - **Main responsibilities**
    - Selecting the analytical projects to be undertaken;
    - Monitoring and shaping work-in-progress;
    - Endorsing SPI projects recommendations;
    - Monitoring enactment progress of regulatory proposals;
    - Intervening for speedy enactment and implementation.
  - **- Meetings** - quarterly

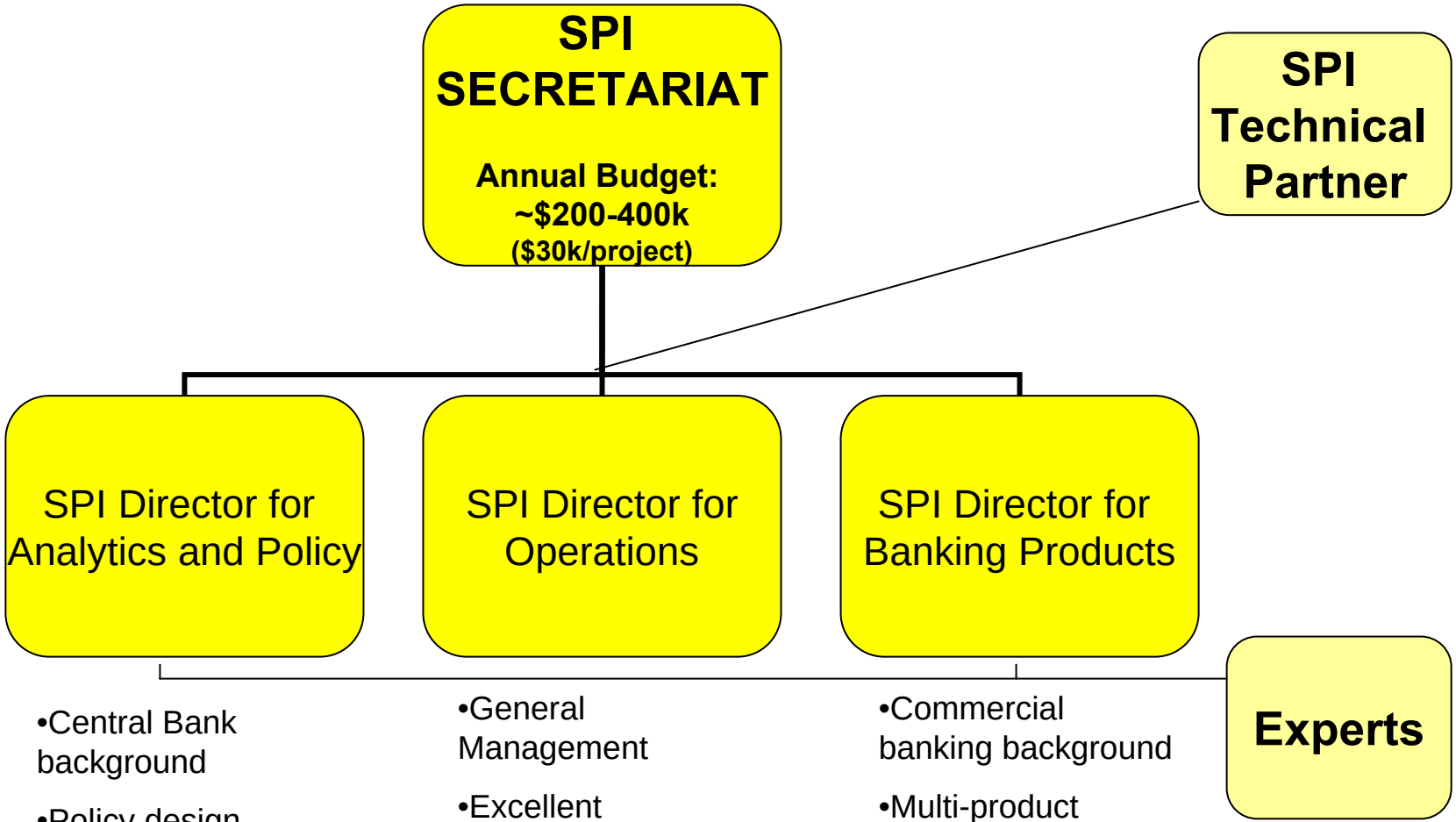
SPI COMMITTEE (3)

- **SPI COMMITTEE**
  - **SPI Secretariat duties:**
    - Secretary for SPI Committee – SPI Director for Operations
      - SPI Committee meeting agenda – 2 weeks before
      - SPI Committee meeting package – 7 days before
      - SPI Committee meeting minutes – drafted before meeting
    - Reports - quarterly

SPI SECRETARIAT

- SPI SECRETARIAT – THE ENGINE OF THE PLATFORM
  - General responsibilities:
    - Manage relationships with the banking community, international banks (e.g., through Convergence Group), local experts (e.g., Deloitte) and other TA providers (e.g., IFC PEP, EBRD,…);
    - Manage relationships with potential funding sources for expertise (e.g., public and private donors);
    - Manage technical relationships with foreign experts and consult with technical staff of the authorities during projects;
    - Prepare analytical studies supporting proposed regulatory changes (with full RIA);
    - Build up and maintain necessary databases and evidence;
    - Prepare final SPI Committee proposal (backed by analytical study);
    - Prepare SPI Committee meetings agenda, keep meetings record and distribute minutes to members;
    - Submit periodical activity reports to Convergence, stakeholders and SPI Committee;
    - Present SPI Annual Business Plan quarter/annual working plans and budgets for approval to the SPI Committee;
    - Contribute to Convergence papers, presentation, and reports (i.e., annual reports);
    - Feed the website and manage SPI’s relationship with press through stakeholders

SPI SECRETARIAT (2)



SPI SECRETARIAT (3)

10 GOLDEN RULES FOR CONSENSUS - BUILDING

- Gaining PWG confidence through a very good preparation of the project papers and of PWG meetings
- Maintaining a neutral position in PWG meetings
- Focusing PWG discussions
- Accurate minutes of PWG meetings
- Keeping a clear track on disputed issues
- Asking each party's arguments on disputed issues
- Looking for international experience for disputed issues
- Asking for third parties' opinions on disputed issues
- Searching for middle-way solutions
- Asking for PWG approval on documents, particularly for SPI Committee recommendations.

SPI Secretariat Promotes "Better Regulation"

Policy Design Steps	Purpose
Scoping of problem	
1. Problem identification	To understand if a market/regulatory failure creates the case for regulatory intervention.
2. Definition of policy objectives	To identify the effects of the market /regulatory failure to the regulatory objectives.
3. Development of "do nothing option"	To identify and state the status quo.
4. Alternative policy options	To identify and state alternative policies (among them the "market solution").
Analysis of impact	
5. Costs to users	To identify and state the costs borne by consumers
6. Benefits to users	To identify and state the benefits yielded by consumers
7. Costs to regulated firms and regulator	To identify and state the costs borne by regulator and regulated firms
8. Benefits to regulated firms and regulator	To identify and state the benefits yielded by regulator and regulated firms
Consultations	
9. Data Questionnaire	To collect market structure data to feed into cost and benefit analysis
10. Policy Document	To learn market participant opinions on various policy options
Conclusion	
11. Final Recommendations	Final report based on Cost Benefit Analysis and market feedback

Source: CEBS-CESR-CEIOPS Better Regulation Template

SPI SECRETARIAT (4)

- SPI Secretariat's performance is constantly evaluated
  - SPI Committee members
  - SPI Project Owners
  - SPI Project Managers
- SPI Secretariat's performance is evaluated yearly by the SPI community (PWGs)
- Relevant documents:
  - SPI actionable documents;
  - SPI Secretariat Evaluation Questionnaire.

SPI SECRETARIAT (5)

- SPI SECRETARIAT – THE ENGINE OF THE PLATFORM
  - Another important responsibility: **Organizing events**
    - in cooperation with PWG, SPI Committee members and experts, under Convergence coordination – for awareness raising or for disseminating projects' outcomes

1. Draft event agenda
2. Identify potential speakers and panelists
3. Draft participants' list
4. Draft action plan and budget
5. Seek for budget approval
6. Investigate speakers' availability
7. Investigate logistic possibilities
8. Draft invitation letter to be sent to speakers
9. Send invitation letters with draft agenda
10. Gather event package
11. Send final agenda
12. Prepare summary of presentations and discussions of the event
13. Send the summary with event package
14. Send thank you letters to speakers, minutes and event package
15. Post the summary and package on the website

SPI PROJECT WORKING GROUPS

- **PROJECT WORKING GROUPS**
  - Project Management Team
    - composition
    - responsibilities
  - Project Working Group
    - Composition
    - Responsibilities
  - PWG gathering
  - Meetings
  - SPI Secretariat responsibilities

- Relevant documents (Albania example):
  - SPI Committee Operating Guidelines,
  - Project ToRs;
  - PWG meeting minutes.

SPI PROJECT WORKING GROUPS (2)

- PROJECT WORKING GROUPS
  - **Project Management Team**
    - **Composition & responsibilities:**
      - **Project Owner -** represents the main stakeholder at top management level (e.g. Central Bank Director or Bank CEO) to ensure project oversight
        - » including signing off final SPI Committee recommendations;
      - **Project Manager** – is appointed by the Project Owner (usually out of the PO's institution management staff) and chairs PWG meetings;
      - **Deputy Project Manager(s)** – represent(s) the other main stakeholder(s) and second(s) the Project Manager in coordinating PWG meetings.
  - Project Working Group
    - Composition
    - Responsibilities
  - PWG gathering
  - Meetings
  - SPI Secretariat responsibilities

SPI PROJECT WORKING GROUPS (3)

- PROJECT WORKING GROUPS:
  - Project Management Team
    - Project Owner – strategic management & oversight
    - Project Manager/Deputy Project Manager – chairing PWG meetings
  - **Project Working Group**
    - Composition: 6-10 representatives of public and private stakeholders, with specific expertise profiles.
    - Responsibilities:
      - Attending the meetings;
      - Actively participating in the meetings;
      - Providing contributions (their institutions' experience, parts of documents);
      - Validation of RIA questionnaire;
      - Providing data/filling in questionnaires;
      - Validation of RIA findings;
      - Approval of position/policy documents;
      - Supporting enactment activities.
  - PWG gathering
  - Meetings
  - SPI Secretariat responsibilities

SPI PROJECT WORKING GROUPS (4)

- PROJECT WORKING GROUPS:
  - Project Management Team
    - PO – strategic management & oversight
    - PM/DPM – management of day-to-day PWG activities
  - Project Working Group: representatives of all stakeholders, with specific expertise profiles, providing individual contributions
  - **PWG gathering**
    - ToRs
    - List of eligible persons – in consultation with stakeholders
    - Invitation letters – to be signed by SPI Committee members
  - **Meetings:** 3-4 meetings over three months
  - SPI Secretariat responsibilities

SPI PROJECT WORKING GROUPS (5)

- PROJECT WORKING GROUPS:
  - **SPI Secretariat responsibilities (1/3)**
    - **Project ToRs drafting:**
      - background information – interviews with stakeholders and research;
      - Project Objective;
      - Strategy;
      - Better Regulation Methodology (steps, output, contributions)
    - **Drafting list of eligible persons/project in consultation with stakeholders**

Project	Objective	PO	PM/DPM	PWG members

    - **Drafting, getting signatures and sending invitation letters**
    - **Organizing PWGs meetings:**
      - Meeting details – in cooperation with PMT
      - Invitation with agenda and documents for discussions

SPI PROJECT WORKING GROUPS (6)

- PROJECT WORKING GROUPS:
  - **SPI Secretariat responsibilities (2/3)**
    - **Preparing background studies**
      - based on interviews, research, international benchmark, compilation of regulations
    - **Preparing PWG meeting minutes**
      - Venue, date, meeting number
      - Participants
      - Agenda/meeting objective
      - Summary of discussions and conclusions
      - Next steps
      - Future meeting
    - **Summarizing individual contributions**

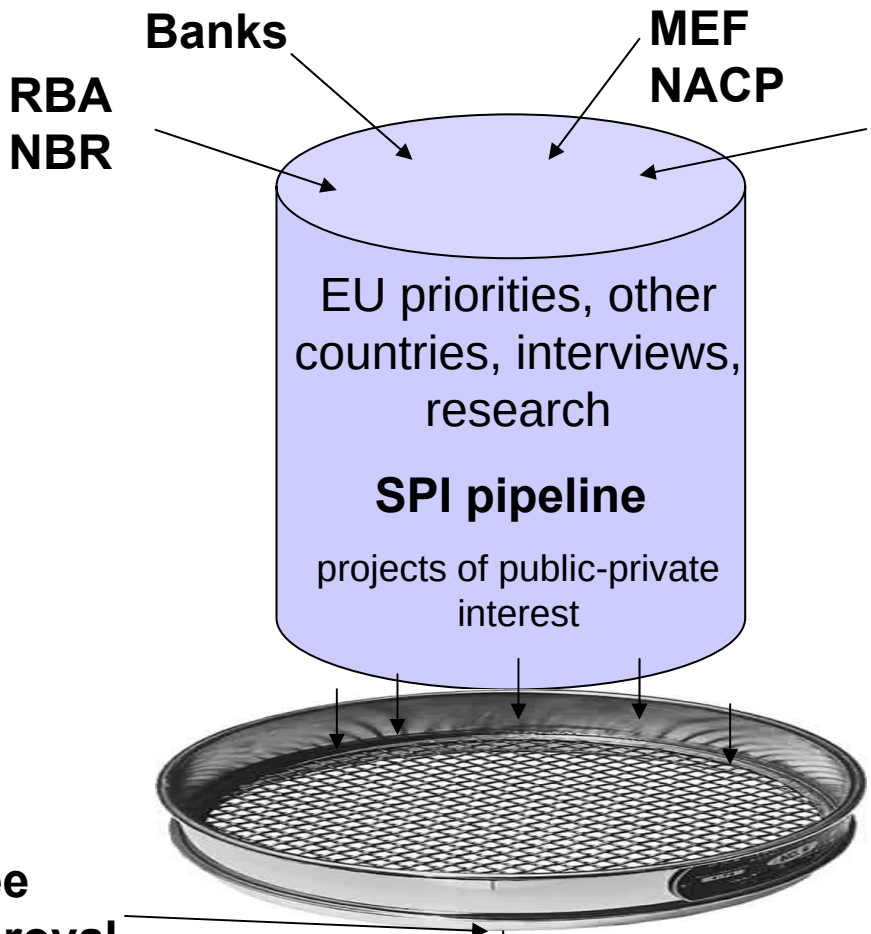
SPI PROJECT WORKING GROUPS (7)

- PROJECT WORKING GROUPS:
  - **SPI Secretariat responsibilities (3/3)**
    - **Preparing documents for PWG discussions**
    - **Preparing draft RIA questionnaire**
    - **Collecting data and performing calculations**
    - **Mobilizing International expertise**
      - Identifying, with Convergence support, international experts. Procurement – direct, through Convergence; indirect – through donors and other international institutions (WB, IFC, etc)
    - **Preparing draft ToRs for the expert**
      - Supporting contracting process
      - Handling the relationship with the expert
      - Endorsing, together with PMT, the payment to the expert
    - **Preparing SPI Committee summary documents**

SPI PROJECT PHASES

SPI Secretariat responsibilities by **project phase**

1. Issue identification and selection



-Consult with authorities on their plans for regulatory changes
-Consult with entire banking system through a questionnaire
-Conduct interviews with selected banks to identify the most critical issues that need a resolution in collaboration with authorities
-Post the preliminary list of projects on website for public consultations
-Use preliminary RIA to prioritize issues

SPI PROJECT PHASES (2)

SPI Secretariat responsibilities by **project phase**

2. Solution searching

NBR
RBA
MEF
NACP
Other stakeholders

-Experts for PWG
-Support for data collection and consultations
-RIA findings validation

SPI Secretariat

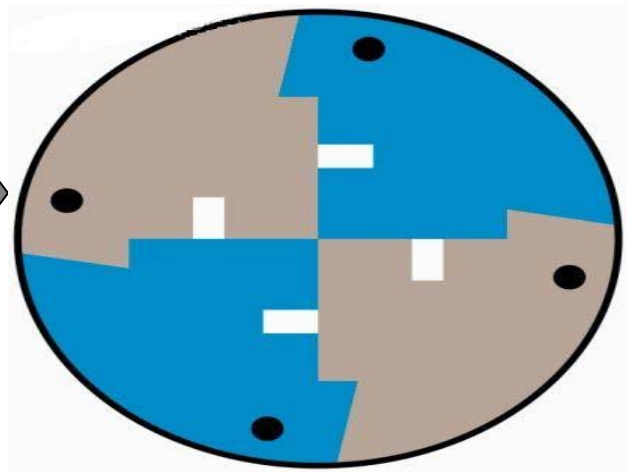
-Identifies the needed expertise
-Searches for solutions in international experience /EU legislation
- Identifies the needs for international/local consultants
- Arranges for the consultants' support
- Prepares documents for discussions
- Drafts RIA questionnaire (as part of the RIA)
- Collects data and performs RIA calculations
- Organizes seminars and other supporting events
- Collects feedback from SPI stakeholders
- Collects and aggregates individual contributions
- Prepares documents presenting the solutions

SPI PROJECT PHASES (3)

SPI Secretariat responsibilities by **project phase**

3. Consensus building

RBA
- Banks review solutions
- Provide input on disputed issues
-**RBA Board endorsement for final recommendation**



NBR
- Revises proposed solutions
- Provides input on disputed issue
- NBR Board endorsement for final recommendation

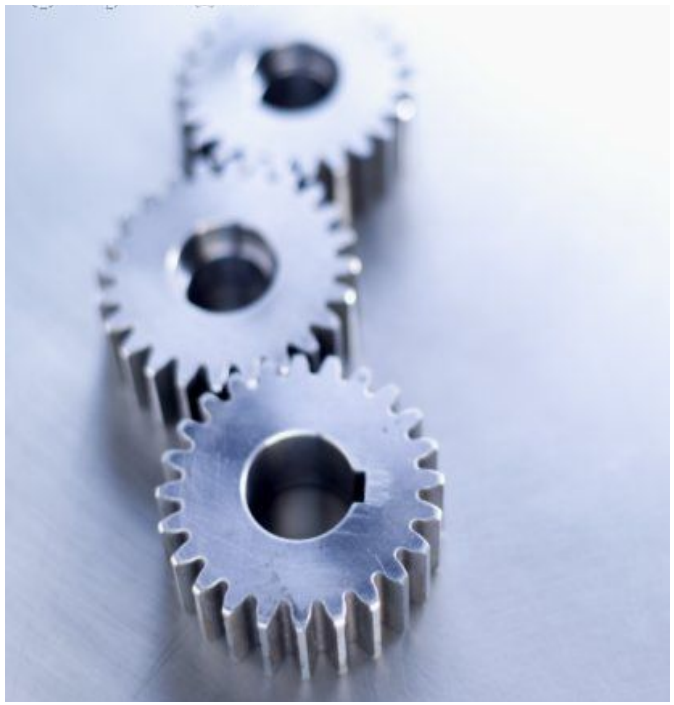
SPI Secretariat

- **Looks for international benchmarking in disputed solutions**
- **Asks for independent opinions on disputed issues**
- **Provides ideas for reaching solutions acceptable to all parties**
-**Performs RIA for disputed issues in order to facilitate the best choice**

SPI PROJECT PHASES (4)

SPI Secretariat responsibilities by **project phase**

4. Solution enactment

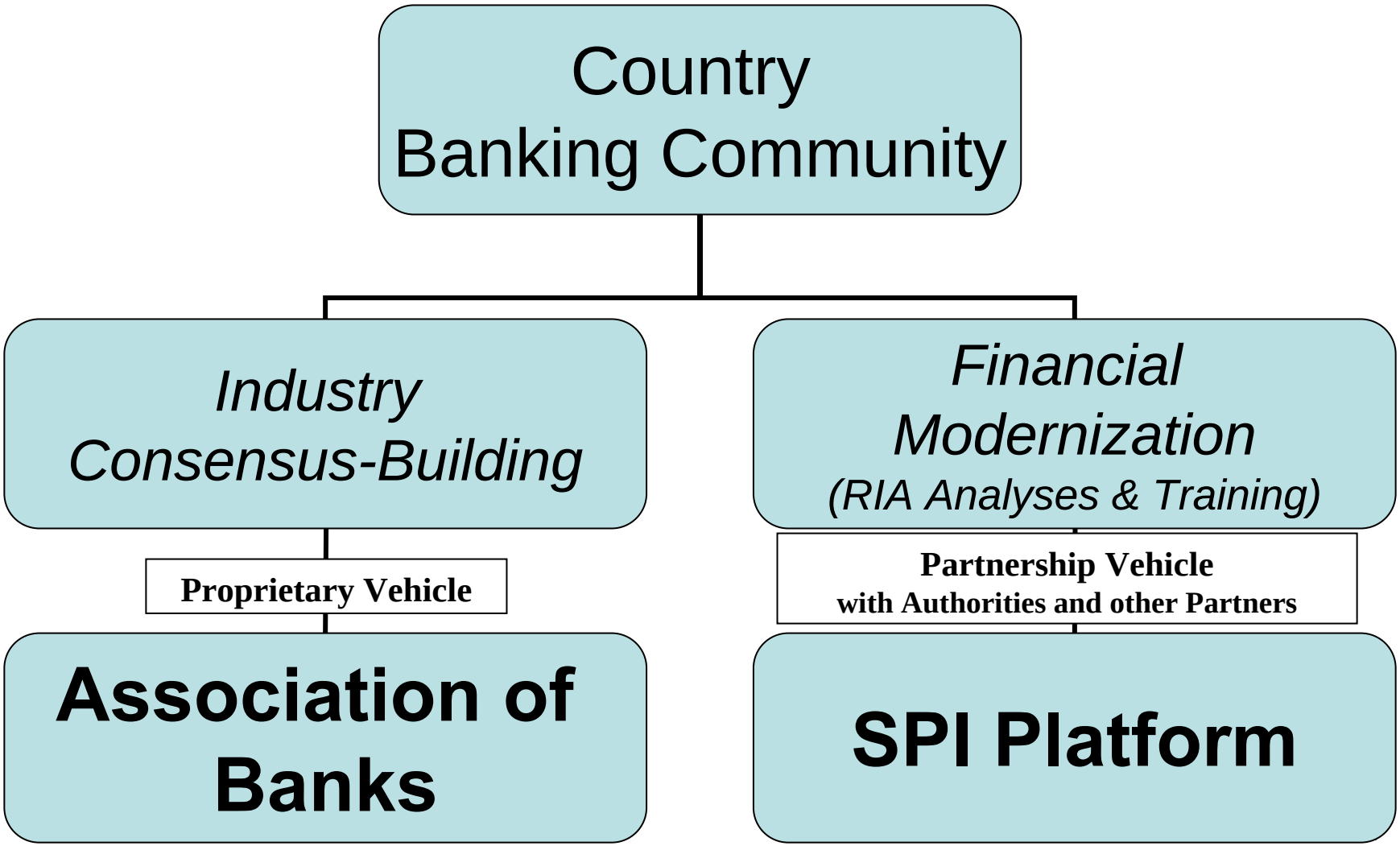


NBR, RBA and SPI Secretariat coordinate actions in respect of full range of SPI projects

SPI Secretariat

-Prepares the law / regulations enactment packages
-Prepares SPI Committee letters to the legislative initiator or to the NBR Board for NBR regulations
- Provides detailed description of RIA to the legislative initiator or to the NBR Board
- Follows up with the legislative initiator
- Notifies NBR on the initiation of the public consultation process
- Sends SPI Secretariat submission under the public consultation process
- Arranges and/or attends the meetings with institutions involved in the enactment process
- Prepares other documents as required by the legislative initiator

SPI SUSTAINABILITY
A Framework



Attached Documents[1]

Launch Arrangements

•Joint Central Bank-Banking Association commitment letter to SPI Technical Partner ;
•MoU between Banking Association and SPI Technical Partner ;
•SPI Secretariat hiring (Job advertising and interviews; ToRs for SPI Directors for Operations; for Analytics and Policy; and for Banking Technical Anchor);
•Letter from SPI Technical Partner to SPI Co-Promoters on launching activities ;
•SPI Committee Operating Guidelines.

Operations

•Regulatory Impact Assessment Training Program ;
•Questionnaire for SPI project proposals;
•SPI Committee meeting agenda and minutes;
•Project ToRs (Auction procedures and Capital adequacy);
•Impact Assessment Analysis Template;
•PWG meeting minutes (Auction procedures);
•SPI Committee Summary document (IFRS project & Impact Assessment);
•Monthly activity reporting;
•SPI Romania 2007 Annual Report;
•SPI Secretariat Evaluation Questionnaire.

Sustainability

•SPI Romania Association of Romanian Banks-National Bank of Romania Proposal;
•Letter to members of Association of Romanian Banks;
•SPI Albania Note on incorporation as a legal entity;
•SPI Albania incorporation feasibility framework.

1 Attached documents available at : http://www.spi-romania.eu/convergence-program/ http://www.spi-albania.eu/en/convergence-program/