



The Special Projects Initiative (SPI)

**Presentation to the
Convergence Group Meeting
London, May 10, 2006**

General Context

Local Bankers Associations (BA) do not represent effectively the banks' points of view with authorities

➤ Vicious circle:

- BAs are weak financially and technically,
- Hence, their results are poor,
- And, thus, they remain under-funded

⇒ Need to strengthen the BAs

Vicious Circle Difficult to Break

Convergence Group (CG) meetings so far have yet to produce a viable business model to strengthen BAs

⇒ Difficulty for CG members to coordinate and to influence local realities, both BA and authorities, at distance

What Does Convergence Do For CG Members

- **It establishes a country public-private consultation group to discuss issues of common interest (Central Bank Governor, State Secretary of Ministry of Finance, BA Chairman, Convergence)**
 - where market issues are brought to the authorities' attention under hands-on Convergence protection
- **It provides two professionals, embedded in local BA, to help market participants make sound and credible proposals to authorities (for 2 years)**
 - Head of New Financial Products and Services
 - Head of Project Analysis
 - The Special Projects Initiative (SPI)
- **Romania to start July 1, ready to do Albania and perhaps a third SEE country**

What Does The SPI Mean For CG Members

- **Safe and professional communication channel to authorities**
 - SPI staff collects CG views, analyses them and brings them to the authorities attention through consultation group
- **Authorities learn how to interface with market participants, but also market participants learn how to engage**
 - Convergence helps CG tackle concrete issues with which authorities cannot object
- **Ultimately, Convergence-brokered results should convince banks that BA strengthening (e.g., more budget to hire experts) is a good investment in a better financial market infrastructure**
 - ⇒ CG members will eventually have an efficient BA that takes care of their regulatory problems.

How Is The SPI Going To Work?

- **Issues are identified through industry working groups ⇒ preliminary RIA to prioritize them**
- **Issues are assessed in the public-private Steering Committee ⇒ agreement on priorities and next steps**
- **Detailed analysis using local or foreign experts ⇒ position papers with recommendations**
- **Negotiations with the relevant authorities ⇒ regulatory changes**
- **Final RIA ⇒ assessment of benefits for the sector**

What Could Go Wrong (Implementation Risks)

- **Poor SPI performance**

 - ⇒ but thorough selection process, involving authorities, local BAs and Convergence

- **Tackling the wrong issues**

 - ⇒ but wide involvement in issue identification; RIA to prioritize

- **Insufficient budget, leading to poor quality analysis**

 - ⇒ Convergence will pay for foreign consultants

What Could CG Members Do To Minimize Risks

- **A “Convergence Group Pact”**
 - **Feeding the SPI with a pipeline of issues**
 - **Giving SPI Staff ongoing access to country and HQ management**
 - **Local bank staff to be actively involved in industry working groups**
 - **HQ experts available to support SPI projects**
 - **HQ management available to participate in events with authorities**
 - **Other support formulas to be explored if warranted (access to third party experts)**