

# An Implementation Approach

October 2004

## *Convergence* *Supporting Financial Sector Reform*

South-Eastern Europe

Bulgaria, Romania

Albania, Bosnia-Herzegovina, Croatia, Macedonia, Serbia and Montenegro

# How To Measure Success?

## Long-Term (1)

- *Convergence* will be successful if:
  - Market participants' associations increase their involvement in financial sector development, as measured by:
    - Increase in their operating budget from base year
      - Mainly part-time employment of (local) experts
    - Annual increase of number of issues that have been solved to their members' satisfaction
    - Increased share of “critical” issues being under government consideration
    - Possibly, measurement of “value” to industry of new regulations passed

# How To Measure Success?

## Long-Term (2)

- *Convergence* will be successful if
  - Authorities increase the on-time completion of their reform programs as a result of improved collaboration with market participants
  - Authorities are able to advance the implementation timetable of reforms
  - Compliance with standards and codes increases as a result of increased reliance on external analytical capacity to prepare case for financial intermediation reform measures

# How To Achieve Long-Term Success?

- *Convergence* will make these long-term results reachable through a series of activities that, together, will have a demonstration effect of the benefits of stronger private sector involvement in the design of market regulations
- It is through observing these benefits that
  - Authorities will understand their self-interest in helping market participants form and express their views
  - Market participants will build up more authoritative associations, surmounting their coordination problems

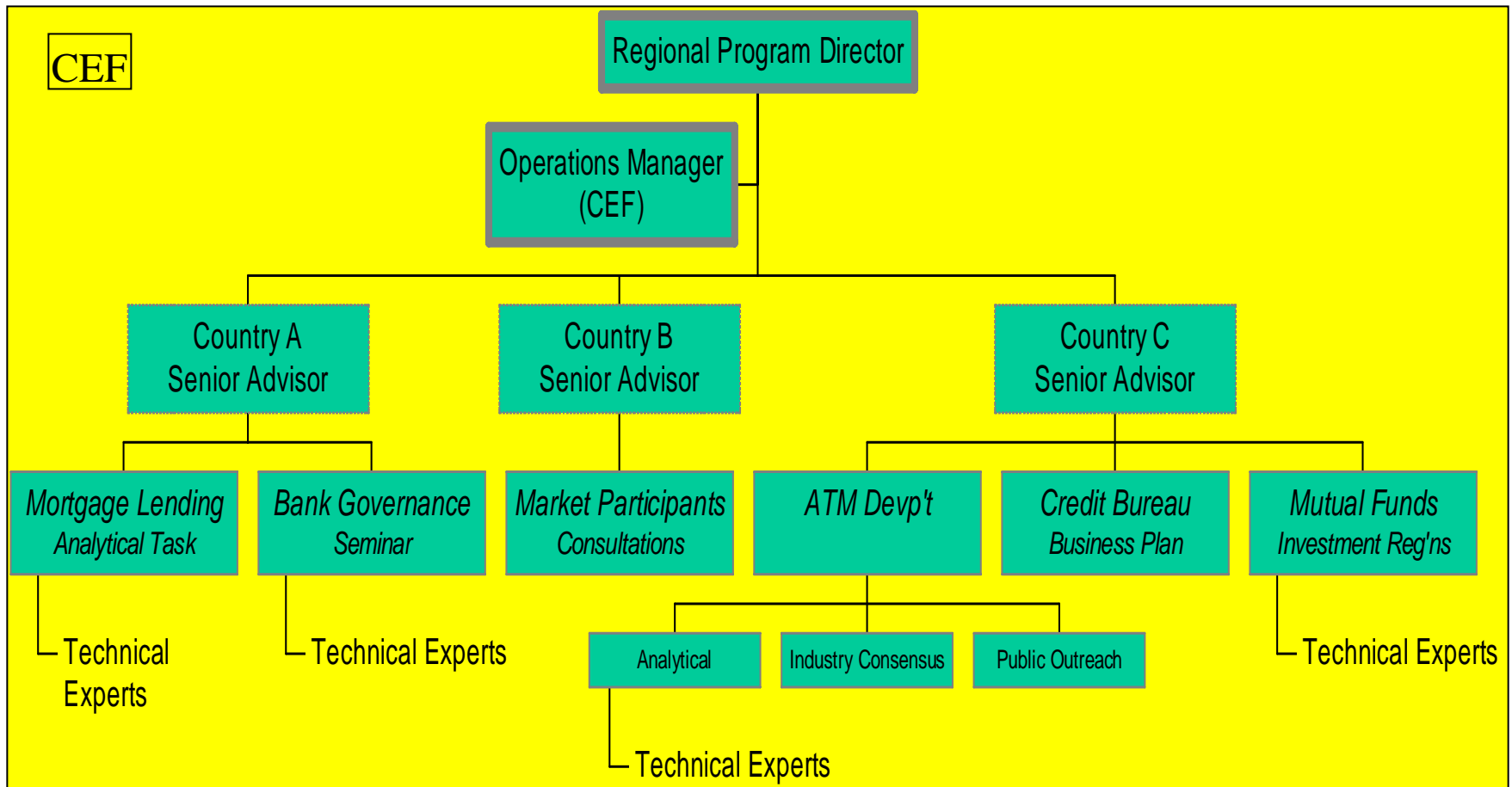
# How To Reach Long-Term Success?

## Short-Term Guidance

- The choice of *Convergence* activities should meet a four-step “dialogue-building” test:
  1. Is the proposed topic of material interest to both authorities and market participants?
  2. Are authorities willing to consider regulatory options based on analyses shaped by perspectives and comments by market participants, as recommended by *Convergence*?
  3. Does the activity (e.g., analytical, learning or outreach) contribute to actionable recommendations supported by market participants? Over which timeframe?
  4. What economic impact do authorities and market participants assign to a properly implemented recommendation?

# Convergence

## Organization and Activities



Notes: Program Director (PD) and Operations Manager (OM) are full-time appointments; Country Senior Advisors (CSA) and technical experts are part-time appointments; PD can initially act as CSA for, e.g., two countries.

# Activity Build-Up Profile

<b>Activities</b>	2005				...	2006/2007
	<u>November-March</u>	<u>April-June</u>	<u>July-September</u>	<u>October-December</u>		<u>A Typical Quarter</u>
<b>Institutional</b>	Legal Negotiations & Signing (WB, Italy, CEF)  Detailed Operational Planning  FIRST Support  Build-Up of Consultants' Roster	Funds Disbursed  Establishment of Advisory Committee (EBRD, Italy, WB)  Recruit Program Director and Operations Manager  Identify Country Senior Advisors	1st Meeting (September)  PD and OM On Board  Recruit first CSA	Recruit second CSA		Contacts with EBRD/WB/EU
<b>Operational</b>		Launch of Albania and Bosnia Projects  Design Bank Governance (BG) Program  Business Development	First BG Session	First stock-taking  2 BG Sessions  Project Launch in a third country		4 active countries; 2 activities/country  2 BG Sessions  Business Development

# *Convergence*

## Illustrative Business Plan

<u>Activities</u>	Year 1	Year 2	Year 3	Total
Countries of operation	4	6	6	
Large	2	3	3	
Small	2	3	3	
<b><u>Programs</u></b>				
<u>Financial Sector Development</u>	<u>4</u>	<u>5</u>	<u>7</u>	<u>16</u>
Large	1	1	1	4
Medium	2	3	3	10
Small	1	1	3	5
<i>Steering of third-party funded projects</i>	4	9	15	28
<u>Bank Supervisor-Board Training</u>	<u>6</u>	<u>10</u>	<u>15</u>	<u>31</u>
<u>Public Outreach</u>	<u>4</u>	<u>8</u>	<u>10</u>	<u>22</u>
General Policy Seminars	2	3	3	8
Civil Society Outreach	2	5	7	14

Work executed in a regional context to maximize operational synergies



# Convergence

## Illustrative Business Plan (2)

<u>Expenditures</u> ( '000k Euro)	Year 1	Year 2	Year 3	Total
<b>Variable Costs</b>	<b>700</b>	<b>1030</b>	<b>1360</b>	<b>3090</b>
Financial Sector Development	340	420	480	1240
Bank Supervisor-Board Training	300	500	750	1550
Public Outreach	60	110	130	300
<b>Secretariat</b>	<b>380</b>	<b>550</b>	<b>700</b>	<b>1630</b>
Professional Staff	250	350	450	
Adm. Support	50	80	100	
Travel	80	120	150	
<b>Total</b>	<b><u>1080</u></b>	<b><u>1580</u></b>	<b><u>2060</u></b>	<b><u>4720</u></b>

<u>Funding</u> ( '000k Euro)	Year 1	Year 2	Year 3	Total
Italy <sup>1/</sup>	600	550	500	1650
Other Donors	150	700	1230	2080
EBRD		<i>TBD</i>		
World Bank	330	330	330	990
<b>Total</b>	<b><u>1080</u></b>	<b><u>1580</u></b>	<b><u>2060</u></b>	<b><u>4720</u></b>

1/ Italy: Euro 1.5 million pledged at Venice Balkans Round-Table; other Trust Funds @ EBRD/WB