

**Project management group meeting for “reducing cash transactions in Kosovo”
within the National Payments Council (NPC)**

Meeting minutes

Nr: 1/2010

Place: Central Bank of the Republic of Kosovo (CBK)

Date: December 2nd 2010

Time: 11:00 – 12:10

Participants:

Robert Wright, CEO, Raiffeisen Bank (*chairman*)
Gjylfidane Kadrijaj, Director of Interbank Payment Systems Directorate, CBK
Fatmir Rashica, Payment Control Specialist, KEK
Milot Kelmendi, Performance Analysis Manager, KEK
Thomas Smith, USAID advisor, KEK
Shyqri Krasniqi, Executive Sales Manager, KUR Prishtina
Samir Lleshi, Expert on fiscal and financial issues, KCC
Edmond Jashari, Senior Cash Management Marketing Officer, TEB
Ozenc Alkan Asik, Head of Banking Operation, TEB
Avni Gashi, Head of Payments & Correspondent Banking, PCB
Teuta Gazideda, Manager of CM & Treasury BO, RBKO
Arzen Çavderbasha, Development Coordinator IPSD, CBK
Rinor Gjonbalaj, Oversight Officer IPSD, CBK

Representatives of NLB and PTK were absent without prior notification.

The meeting was called to order at 11:00.

Discussions and Presentations

Terms of reference and project objectives

Mr. Robert Wright presented the Terms of Reference of the project management group. The two project objectives are: (i) to prepare a code of conduct and possibly proposals for legislation for actions and measures to be undertaken by the banks, the business community and private individuals for reducing the volume of cash transactions, and (ii) to build consensus among banks in order to sign and implement the code of conduct and possible legislation.

Z. Wright concluded that the business communities' participation is vital, in both the development and the implementation phase of the project. Also, amending and proposing new legislation is difficult and takes considerable time so the project management team should focus on establishing or changing the code of conduct.

(See the attached Terms of Reference)

A presentation on the current situation of cash and non cash payments in Kosovo

Ms. Gjylfidane Kastrati-Kadrijaj gave a presentation on the current situation of cash and non cash payments in Kosovo, including the role of the CBK, the functioning of Kos Giro and Direct Debit schemes, CBK strategic objectives and the payment systems legal framework. Ms. Kastrati-Kadrijaj highlighted the number and value of intrabank, interbank, and international cash and non-cash payments, emphasizing that the number of cash payments still remains high.

(See the attached presentation)

Other issues and discussions with the project members

KCC representative (Samir Lleshi) stressed that the implications of various laws on the number of cash and non cash payments should be analyzed (e.g. Law on VAT). He emphasized that from the angle of the business community some of the payment services of commercial banks continue to be expensive and non-stimulating for widespread use by businesses. As for the Kos-Giro payments and the bill changes, participants clarified that this change can occur only if it is envisioned in the bank-company agreement. E.g. for Kos-Giro payments to KEK, the client can pay a different sum from what is stated in the bill.

KEK representatives (Thomas Smith), indicated that some of the main problems they face are (i) only 50% of the clients have with them the invoice at the time they pay their bill (the invoice is necessary in case they pay through the bank using Kos-Giro), (ii) even regular payers do not pay their bill every month but every 2 or 3 months. A solution to these problems is to use **Direct Debit** by the customer. Through this scheme, the clients' bank account is debited automatically each month, and there is no need for the invoice or physical presence by the client at the time of payment.

As for some operational issues raised from KEK (Milot Kelmendi), they will be addressed in individual meetings or at the next regular meeting of the Interbank Payment Advisory Committee (IPAC)¹. Daily operational issues are not foreseen to be addressed by the project management group for "reducing cash transactions in Kosovo".

¹ During the drafting of the minutes of the meeting, representatives of KEK were contacted about this issue.

Conclusions and Next steps

- Representatives in the project management team should come regularly and on time for meetings, and it is recommended that nominees from the institutions stay the same throughout the project. For participation in the meetings of people who are not nominated in the project management group, the meeting organizers must be notified in advance.
- ***For the next group meeting (a roundtable workshop), because of space and accommodation constraints, it is recommended that only one representative from each institution attend the workshop (according to the list submitted by the KBA and the representatives nominated by the utility companies).***
- CBK will gather the necessary statistical data about payments from the countries in Central Europe (like Hungary and Czech Republic) and from Southeastern Europe. Data from Kosovo, such as the ratio of transactions per ATM, the number of cards per 100,000 inhabitants, etc., will be compared with that of other countries. The benchmark for Kosovo shall be the countries of Central Europe.
- Cost and benefit analysis will be postponed for the future.
- Mr. Robert Wright will research approximately how much it will cost to do a Customer and Merchant research to understand their issues concerning non cash payments. The management group will decide whether it is worth and necessary to do this research.
- On December 8 from 10:00 to 12:00, at the building of Kosovo Chamber of Commerce there will be a presentation on the use of new means of payment without cash, organized by the CBK and KCC. Participants of the management group are welcomed to attend the presentation.

Proposals from CBK for the next meeting²

1. *There is a need for concrete initiatives and activities for the reduction of cash payments from all institutions (this includes commercial banks, public companies, private companies, governmental agencies, etc). For example, the utility companies should develop operational plans for the reduction / closure of their tellers (cash counters) that accept cash. (Setting timeframes should be required).³*
2. *Commercial banks should reduce the fees for electronic payment services, such as Direct Debit, E-Banking, Kos-Giro, etc. We believe that revenue lost from fee reduction will be more than compensated by the increase in the volume of payments.*
3. *Analyze practices in other countries of setting maximum limits on the value of cash payments at the counters of commercial banks, and come up with recommendations to government institutions (MEF).*

² These proposals will be discussed in the next meeting (January 26, 2011)

³ This issue was discussed with KEK officials in meetings at the CBK during the development of the Direct Debit scheme.