

Dear Readers,

We present the sixth edition of Project Twinning Newsletter. This time it contains interviews with persons from the back-office, without whom a smooth communication within the Project and daily administration processes would be impossible. A short description of missions and other Project activities are also available.



## INTERVIEW WITH GITANA KAMINSKIENĖ PROJECT MANAGER AT LIETUVOS BANKAS

*Gitana has been working at the International Relations Department of Lietuvos bankas for almost 30 years. She has been in charge of the EU and international affairs coordination at Lietuvos bankas for 18 years and was also involved in the process of Lithuania's preparation for EU membership. She was the Monetary and Banking Affairs Attaché at the Permanent Representation of Lithuania to the EU in Brussels for several years and participated in the process of Lithuanian presidency of the Council of the EU as well as carried out work related to the preparation of the adoption of the euro in Lithuania. In recent years, Gitana was a Co-Project Leader of one of the Twinning projects and has participated in several Twinning and other EU-funded projects as a project manager and coordinator, as well as a short-term international relations expert. She is a member of the ESCB International Relations Committee WG on Central Bank Cooperation.*

### **In your view, what are the institutional benefits of participating in Twinning and other EU-funded projects?**

The benefits of the central bank's participation in EU projects are obvious. First of all, it significantly increases the bank's international awareness. Furthermore, it creates opportunities to spread the bank's position and share its experience. By participating in the projects, the institution exchanges rather than transfers knowledge. This exchange broadens our perspective enabling us to grow further. I am glad that the participation in EU technical assistance projects was recognised at Lietuvos bankas as increasing the bank's international awareness, and that participation in EU-funded projects was included in Lietuvos bankas' strategic plan. It is especially great that the aim of Lietuvos bankas is not only to participate but also to lead projects, focusing on the technical assistance cooperation countries that are important to us (Ukraine, Moldova).



## What was the start of your work with EU projects at the bank?

Although Lietuvos bankas has been carrying out technical cooperation activities for several decades, the political decision to participate in EU-funded projects was made at the end of 2017. Here I would like to express my gratitude to the colleagues from the International Department of Narodowy Bank Polski who invited and encouraged us to join our first Twinning project at the time.

This Twinning project, which we implemented together with colleagues from the Polish and German national central banks, was my first EU project coordination experience. It was full of challenges as it was the first ever Twinning venture for Lietuvos bankas. Furthermore, I was not only the Co-Project Leader on this project but also a Project Manager at the bank at the same time.

However, everything went smoothly, insofar as a subsequent decision was taken at the bank to become more actively involved in EU projects. For me personally, it meant shifting away from more general project management duties and allocating more and more of my time and efforts to the Twinning and other EU-funded projects.

Over the past four years, Lietuvos bankas took part in three Twinning projects as a junior partner, and nearly fifty of our experts have shared their experience in eight EU-funded projects. Lietuvos bankas became known as a strong and reliable partner, and our experts' professionalism and smooth cooperation have been widely seen. I am very proud of this achievement, and I hope to see Lietuvos bankas' active involvement in many more EU projects in the coming years.

## What is the personal motivation and institutional benefit of participating in projects?

Personally, I value new challenges. I am very grateful for the opportunity to participate in all of the Twinning and EU-funded projects Lietuvos bankas has actively participated in since 2017. By participating in the projects, I have a chance to collaborate with many excellent, professional, and wonderful people, thanks to whom I constantly learn and gain valuable and unique experiences. Also, through my involvement as an expert, I get to share my knowledge too, which I find very rewarding.

I can responsibly say that although these projects looked fundamentally similar, they were all different and unique, as at the core of each project are people. Successful implementation of a project is all about close cooperation and communication not only within Lietuvos bankas but also with colleagues from other banks. Through the years of involvement with these projects not only I accumulated vast project coordination experience, but I also built a large network of partners, many of whom became good friends.

It makes me very happy that Lietuvos bankas' participation in projects is always supported by experts who understand the meaning and importance of technical cooperation and want to actively engage in this activity.

I am always amazed by how much time and attention experts give to these projects despite their huge workloads. However, nothing impresses me more than the strength and exceptional abilities of our NBU colleagues, who, even under extremely difficult conditions, implement the project, shaping the future of their country. Thank you very much for your continuing cooperation!



## INTERVIEW WITH OLHA SYDORENKO PRINCIPAL ECONOMIST

of the EU and Bilateral International Relations Division of the Office for European Integration and International Programs, contact person for the Twinning Project at the National Bank of Ukraine

*Olha Sydorenko has been working for the National Bank of Ukraine for about 12 years. In 2020, she joined the Office for European Integration and International Programs of the National Bank of Ukraine to support the EU Twinning project "Strengthening the Institutional and Regulatory Capacity of the National Bank of Ukraine to Implement the EU-Ukraine Association Agreement," shortly before the start of the project. She was highly motivated to take part in the Twinning Project, having participated in the previous Twinning project, which was successfully implemented in the National Bank of Ukraine in 2009-2011. She is currently involved in the implementation of another EU-funded project – EU-FAAR.*

**The National Bank of Ukraine, supported by the consortium of Narodowy Bank Polski and Lietuvos bankas, is continuing the implementation of the Twinning Project. How did the Twinning Project adapt its activities to meet the needs of the National Bank of Ukraine under the circumstances of the full-scale russian invasion of Ukraine?**

The implementation of the Twinning Project is continuing. I'm convinced that with the joint efforts of the National Bank of Ukraine and our Twinning partners – the National Bank of Poland and the Bank of Lithuania – we will successfully implement the project even in such difficult times for Ukraine. United, we can overcome all obstacles.

As we can see now, even missile attacks, no electricity, heating, or water due to destroyed critical infrastructure facilities across Ukraine, as well as the many other terrible things russia's full-scale, unprovoked and unjustified aggression have brought – even these give no

reason to stop the project. At the same time, the war has changed many things and forced us to adopt a new daily routine. The Twinning Project participants have adapted quickly to the demands of the times.

Despite the war, Ukraine is taking further steps toward integration with the EU and is indeed intensifying efforts to this end. Now that Ukraine has been granted by the European Council the status of a candidate for accession to the EU, the NBU faces both new challenges and new opportunities. One of them is to grasp how to access the Single Euro Payments Area (SEPA), so as to facilitate the closer integration of the Ukrainian and European financial markets.

To do this, some amendments to the Twinning Project were introduced. It's important to note that significant work was carried out by the European Commission, Narodowy Bank Polski and Lietuvos bankas to make changes to the Twinning Grant Contract – a new component was added for reviewing the requirements and adjustments necessary for joining SEPA. The term of the Twinning Project was also extended until March 2023.

We're grateful to the Delegation of the European Union to Ukraine, Narodowy Bank Polski and Lietuvos bankas for their cooperation and support, and for their contribution and efforts to update the Twinning project to meet the NBU's needs.

**You were appointed the contact person for the Twinning project at the National Bank of Ukraine. What are your duties, and what are your expectations for the implementation of the project?**



Such a large-scale project as Twinning can't be managed without organizing the effective flow of information. My role as a contact person for the Twinning Project at the National Bank of Ukraine requires communication with NBU project leaders, the RTA Office, NBU component leaders, and members of the NBU working group for the preparation and implementation of the Twinning project. I also have to be in contact with the representatives of the NBU Communications Department, who are responsible for the Twinning Project's visibility.

My activity in the Twinning Project is mostly related to information support for managerial decisions and involves gathering information that is then exchanged between the members of the Twinning Project. I'm a regular attendee at all Twinning Project events, and I'm always involved in the preparation of documents reviewed at the meetings of the Steering Committee.

The Office for European Integration and International Programs of the National Bank of Ukraine maintains contacts with the Administrative Office of the Twinning Program, which coordinates the preparation and implementation of the Twinning program in Ukraine, and the Secretary of the Cabinet of Ministers of Ukraine, who coordinates technical assistance in Ukraine. I take an active part in these extremely important communications. Representatives of these Ukrainian governmental bodies take part in the meetings of the Twinning Steering Committee. Moreover, every six months, the National Bank of Ukraine, as the project beneficiary, submits to the Secretary of the Cabinet of Ministers of Ukraine the results of the ongoing monitoring of the Twinning Project. As someone who's involved in drawing up the monitoring results, I'm always proud to report that we've achieved good results implementing the Twinning Project.

The Office for European Integration and International Programs stores all the information related to the implementation of the Twinning Project. Together with our Twinning partners

and the Communications Department of the National Bank of Ukraine, we keep the information about the Twinning project updated on a dedicated microsite of the official website of the National Bank of Ukraine. The information displayed on the microsite is an element of visibility or, in other words, an information and communication activity aimed at spreading information about EU support, as well as about the results and impact of this support. I'm also involved in this line of work.

Informational support is especially important when preparing for big international meetings. At the moment, together with our Twinning partners, we're looking forward to holding two international expert forums. One of them is an expert forum on strategic management in public institutions – with a particular focus on strategic planning, business process management, and performance management. The other is expected to be a discussion hub for experts from central banks of the Eastern Partnership and candidate countries on challenges and best practices in strengthening central bank international cooperation – with a particular focus on European integration. We're looking forward to exchanging ideas and best practices on matters important to the National Bank of Ukraine.

So as the NBU's contact person for the Twinning project, I'm honored to participate in the implementation of the ambitious Twinning Project, which is aimed at strengthening the institutional and regulatory capacity of the National Bank of Ukraine to implement the EU-Ukraine Association Agreement, as well as doing my best on the path of reforming Ukraine for membership of the European Union.

Glory to Ukraine!

*Upon request of the interviewee, her original spelling has been preserved in order to reflect the current usage of English in Ukraine*



## Twinning Project's back-office team

No project can be carried out properly without a good working and fast operating back-office team. They are not on the front page during daily routine work but without their pivotal role, the whole Twinning Project could not operate smoothly.



### **MAGDALENA BERLIŃSKA**

Magdalena is RTA's "right hand" as regards the project's coordination. She supervises administrative support and manages preparation of all financial plans, project's overall budget and financial reports. She is a very vivid, energetic and sport-active person. Loves fast car-driving and fast skiing.



### **IRENA PASZKOWSKA AND MARCIN STANIEWICZ**

Their Their duties include the day-to-day administrative and financial support of the project, in particular preparing mission documentation and settling its costs, handling various documents, preparing and concluding contracts. They are also responsible for preparation of financial plans (part of the so-called Rolling Work Plans) and financial reports. Both of them work together with STEs on a daily basis, particularly on issues related to their mission costs and settlements. In her spare time, Irena loves travelling, especially to Portugal, and Marcin is keen on sci-fi novels and his beloved small parrot pet.



### **WIKTORIA MATYSKA**

Wiktoria is responsible mainly for contacts with foreign experts – she covers the correspondence, expert agreements and all documents needed both before and after the mission. Her hobby is travelling, inventing new cooking recipes and long walks with her cute dog Sisi.



### **ANNA PAPROTNA**

Anna works in the communication and visibility area of the project. Together with Marek Dobrzycki, Communication Officer, she is co-responsible for preparation of all „visible” documents (TN's, leaflets, brochures). In her free time she tries to keep fit. She loves jogging, gym and skiing.



### **MAREK DOBRZYCKI**

Marek acts as Communication Officer in the project. He is responsible for visibility area and coordination of communications content. He is passionate about history and loves to play board games with his family.



## Short description of missions and other events of the Project during February 2022 – November 2022



### Component 1A

The mission, which took place on 24-25 August 2022 in on-line format, was dedicated to SREP Implementation, in particular: Calculation of TSCR and On-site Integration into SREP.

During that mission, a training session on SREP implementation was carried out. At first, the training was focused on the calculation of TSCR where a target area was the evaluation of business model risk and capital calculation and allocation. Experts provided information on methods of calculation of capital requirement to cover risks arising from changes in business environment and business model. Practical examples of business model evaluation and capital requirement calculation were also provided. The training was then focused on the calculation of TSCR where a target area was the evaluation and assessment of the appropriateness of internal governance and internal controls, risk mitigation and capital calculation of business model risk evaluation. Experts provided practical examples to illustrate how changes in management and internal governance structures could affect the activities of the entire organization, as well as examples of capital requirement calculation for internal governance and internal controls. The training was followed by Q&A session.

The second part of training was dedicated to On-site integration into SREP. It was concentrated mostly on On-site inspections, namely: process, implementation and integration into SREP. It consisted of the following parts:

- ↓ explanation of the process,
- ↓ provision of practical examples,
- ↓ exchange of views and practices.

The training was followed by Q&A session.

### Component 2B

The mission, which was carried out on 9 February 2022 in on-line format, pursued the following objectives:

- ↓ providing information on the development and structure of technical and functional specifications of Express Elixir and GIRO Instant systems,
- ↓ discussion and Q & A session on issues of development and possible structure of the technical and functional specifications of the Ukrainian instant payments system.

Experts from the Polish ACH (Krajowa Izba Rozliczeniowa SA) and the Hungarian ACH (GIRO Zrt.) were engaged.

During the mission, a representative of the Polish ACH (Krajowa Izba Rozliczeniowa SA) presented information on the structure of technical and functional specifications of the Express Elixir system. The presentation was followed by discussions and exchange of views.

Representatives of Hungarian ACH (GIRO Zrt.) provided a detailed overview of the structure of the technical and functional specifications of GIROInstant system.

Experts from Lietuvos bankas presented information on the structure of the technical and functional specifications of TIPS service. After the presentations experts answered a set of questions sent by the NBU in advance of the mission.

### Component 3C

The mission in that Component, which was carried out on 11 August 2022 in on-line format, was dedicated to the enhancement of the NBU systematic approach to process management.





During the mission, a MS Component Leader from Lietuvos bankas made a presentation which covered the following topics:

- hierarchy of processes in Lietuvos bankas,
- process allocation logic, advantages and disadvantages.

The presentation was followed by the discussion which was mainly focused on best practices of outsourcing processes, requirements which could be set by central banks to outsource their processes, examples of successful process outsourcing in a central bank (Finland, etc.).

The expert's presentation also contained the information about the following issues:

- training and culture of process management in a central bank,
- means of implementation of process culture into an overall organizational culture,
- certain historical background on previous stages of process management development in organization and experience gained,
- implementation of new standards in process management,
- possible focus of further development of process management in an organization.

During Q & A session which followed, the NBU process management tools were presented and discussed, as well as the need of a systematic approach to process management culture, stages of its integration into the current NBU activities and the attitude to new practices and standards.

The mission, which was carried out on 30 September 2022 in on-line format, was focused on the NBU support in developing the methodology of breaking down the mid-term strategic planning.

During the mission, the NBU colleagues made a presentation on the development and implementation of the NBU Annual (Operational) plans mostly focusing on their final stage and

practical issues, in particular:

- Practical decomposition of Strategy into Operational plans by selected Divisions,
- Discussion of Operational plan for a specific Department,
- Link with the Strategy.

They also presented the information about the process of monitoring of indicators and status update, including Excel with updates and how monitoring process looked like and a template of a monitoring report.

The NBU presentation was followed by the discussion of the NBU strategic planning process during which the experts provided the NBU colleagues with some observations and recommendations.

Then, short-term experts from the Bank of Portugal and Lietuvos bankas made presentations which were dedicated to the following topics:

- Risk management in strategic planning and how risks are linked with the strategy (the Bank of Portugal),
- Innovation management process (Lietuvos bankas)
- Sandbox (regulatory or technological) process. From a process standpoint (Lietuvos bankas).

Presentations were followed by a lively Q & A session.

The expert mission, which took place on 27 October 2022 in on-line format, was dedicated to the preparation of Expert forum on strategic management in public institutions (i.e. planning, business process management, performance management).

During the on-line meeting with the NBU Component Leader, the following issues were discussed:

- Planning of Expert forum,
- Drafting the agenda for Expert forum on strategic management in public institutions,



- Defining topics, preparation speakers list and contents of their interventions.

## Component 4D

The mission which was carried out in on-line format on 26 October 2022 in sub-component "Strengthening of the NBU international cooperation function and capacity in the area of European integration of Ukraine" was of a preparatory nature and aimed at discussing issues related to the organization and holding of Expert forum for the central banks of the Eastern Partnership and candidate countries.

During the on-line meeting, short-term experts discussed with their NBU counterparts the draft programme/agenda of the forum, including:

- topics to be covered at the Forum,
- categories of participants, types of institutions and countries they are to present,
- categories of speakers to be invited, the scope of their interventions, possible speaker already defined,
- other organizational issues: preparation and sending invitations, moderation during the forum, its format etc.

## Component 5E

The first expert mission in a new Component 5E, the objective of which is providing support to the NBU in the early phase of approaching SEPA, took place on 27-28 October 2022 in on-line format.

During on-line meetings with the NBU experts, an introduction to the component's principals and goals was provided by RTA/MS Component Leader. The NBU experts presented a basic information on the Ukrainian payment landscape, architecture of payment infrastructure (SEP system) and current achievements on the introduction of SEPA in Ukraine.

Component Leader made an introduction to SEPA topic, including general information on

SEPA, history, goals and benefits of common market in EU for citizens, merchants, SME and large corporations. Moreover, general information on European Payments Council – SCT scheme owner, was also presented. The information about Polish experiences of introduction of SEPA was provided and the main focus was put on SEPA structure in Poland, IBAN issue and solution on Bank account numbering in Poland.

Experts from Lietuvos bankas presented information on SEPA implementation in Lithuania, focusing on Lithuanian experience (time perspective, scope, objectives and organization of implementation process), challenges related to the adoption of the euro by Lithuania, noting that the main emphasis was on technical aspects, such as ways to ensure interconnectedness (SEPA reach), mapping of fields (map pre-SEPA interbank messages to newest [actual] SEPA messages), adoption of banks' APIs and national characters in SEPA.

Experts from the National Bank of Croatia presented information on implementation of SEPA payment instruments and 'SEPA-like' scheme dedicated for local currency (kuna). The presentation focused mainly on issues related to the national payment scheme and payment systems infrastructure for SEPA in the Republic of Croatia, its adaptation for SEPA migration, and an overview of country's payment systems infrastructure after adoption of euro. The presentation also contained information about legal conditions for joining SEPA focusing on details of principles for legal preparedness and legal acts and provisions.

Polish experts made a presentation on legal challenges of introduction of SEPA in Poland. A detailed information on the legal regulations on fee rules concerning cross-border euro denominated payments, need to adjust dedicated forms for tax payments and social contribution payments in Poland that were not in line with SEPA requirements, misunderstanding of Article 10





(Competent authorities) of Regulation 260/2012 and misunderstanding by Polish banking sector of some rules on euro denominated payments was presented. A representative of KIR S.A. (ACH) presented a detailed information concerning Euro Elixir system – Polish payment system dedicated for clearing of SEPA credit transfer payment orders and general information on achieving a pan-European reach by NBP's intermediation on accessing the STEP2-T system. Experts also provided a general overview of the European RTGS landscape including TARGET2 environment, basic principles and settlement rules.

An active discussion with Ukrainian partners followed and was focused on legal aspects (cross-border payments fees, SEPA Regulation requirements including means to achieve reachability, migration plan) and topics related to infrastructure solution that would allow to process SCT payments.

The expert mission, which took place on 22-23 November 2022 in on-line format, was dedicated to further support of the NBU in the early phase of approaching SEPA.

During on-line meetings with the NBU, experts presented information on STEP2-T system operated by EBA Clearing where retail SEPA payments could be processed. Detailed information on forms of participation, admission criteria, formal process of adherence, processing modes, liquidity management were presented. In addition to that, information on processing of cross-border payments between Polish ACH and STEP2-T with NBP inter-mediation was shared with the participants. Experts made a presentation on SEPA infrastructure, provided examples of links between Lithuanian and EU clearing and settlement institutions, as well as connection models for non-European Economic Area payment service providers with EU payment service providers. Experts also briefly explained legal aspects of infrastructure allowing for processing of SEPA payments. Information on

SEPA Regulation (260/2012), Settlement Finality Directive (98/26/EC) and detailed explanation of TARGET Guidelines was delivered. STEs used a Croatian example to explain a payment flow of national and cross border payments in euro and the architecture of Croatian payment processing infrastructure design.

The NBU counterparts were acquainted with information on fees charged by EBA Clearing for SEPA services in STEP2-T system, as well as the rules of reimbursement of those costs by Polish ACH and Polish banks to NBP, which functions as an intermediary allowing for connection to STEP2-T system of Euro Elixir system Participants. Experts also shared with information on TARGET2 pricing schemes for Ancillary Systems, fees for the ECB TIPS services, as well as fees for services of Lithuanian CENTROlink. The NBU colleagues were informed about European Payments Council fees for participation in SEPA schemes.

Experts provided the NBU colleagues with detailed information on possible SEPA implementation scenario for Ukraine. They explained in detail challenges related to the implementation of SEPA in Ukraine if the country would be adhered to SEPA geographical scope and European Union but decide to use the national currency.

The NBU representatives, in their turn, presented information on the Ukrainian payment landscape, architecture of payment infrastructure and current achievements on the introduction of SEPA in Ukraine. They also outlined changes on payment market that were introduced by the Payment Services Act and ongoing work on broadening SEPA geographical scope, as well as their cooperation with the World Bank experts in the area of fulfillment of legal requirements related to the introduction of SEPA schemes and EU regulations on payments.

All presentations were followed with Q&A session on the topics presented.



## Steering Committee Meeting No. 6

The Project's Steering Committee Meeting No. 6 was held on 4 October 2022 in on-line format.

During the meeting, Interim Quarterly Report, which covered the period of 1 January 2022 – 30 June 2022, was presented. It was mentioned that the full-scale invasion of Russia in Ukraine significantly impacted the Project's planned activities during that period. The presentation contained:

- a detailed description of the activities carried out during the reporting period,
- relevant statistics on missions and man-days consumed in every component from the start of the Project in October 2020 and during the first half of 2022,
- a comprehensive information on current achievements of mandatory results and progress review by each sub-component,
- reasons for and a short description of the content of Concept Note prepared and submitted to the EUD, certain modifications introduced in Components 1A and 2B and the need to introduce a new Component 5E in order to provide the NBU with support in the process of joining SEPA,
- communication and visibility activities during the reporting period,
- conclusions and recommendations.

Interim Quarterly Report was supplemented with Financial report for the reporting period, which provided the participants with the information about accumulated financial data of the Project till 30 June 2022, aggregated figures of expenses till 30 June 2022, as well as the percentage of budget consumption broken down by components. It was emphasized that the Project accumulated substantial savings due to the on-line format of work which could be available to fund some off-line activities within the Project if needed and possible.

Then, Rolling Work Plan No. 5. was presented to the participants. The presentation contained information on the following aspects:

- horizontal issues and activities planned

for the remaining part of the Project given that it would be extended till 31 March 2023.

- major activities planned for the coming six months in each component, missions and other events to be performed, in principle, in the on-line format, STEs and the NBU experts to be involved, RTA and RTA Assistants to be working remotely,
- quantitative aspects of activities including the percentage of man-days already consumed and planned for each Component till 31 March 2023, as well as a new total number of man-days, including a new Component 5E,
- a brief outline of inherent risks with the emphasis that pandemic was no longer the predominant source of uncertainty, the war continued to be the predominant risk factor,
- information about human resources engaged, the total number of STEs and the NBU experts involved, a new Component leader and four STEs who would be working in a new Component 5E related to SEPA,
- Communication and Visibility related issues and events,
- subsequent Steering Committee Meetings preliminary planned for the second half of December 2022 and finally – March 2023.

That information was supplemented with the financial aspects of Rolling Work Plan No.5 for the period until 31 March 2023, total budget planned and estimated accumulated expenses by each category for that period.

Based on the information and documents presented during Steering Committee Meeting No.6 and discussions held, the Steering Committee Members decided to approve Interim Quarterly Report No. 5 for the period of 1 January 2022 - 30 June 2022 and Rolling Work Plan No.5 for the period of 1 September 2022 - 31 March 2023.