

BANK OF ALBANIA NEWS OVER APRIL-JUNE 2009

“The Real Value of Money” competition is one of the most remarkable activities of the Bank of Albania educational programme “Central Bank in Everyday Life”. Held for the first time in April 2008 for high schools of Tirana, the competition challenges third-year students of high schools in each region to deepen knowledge and understanding of the Bank of Albania, its monetary policy, the instruments it employs and the impact of central bank’s decisions on the national economy.

*Bank of Albania Competition
“The Real Value of Money”
for High Schools of Shkodra
District, 9 April 2009*

On 9 April 2009, “The Real Value of Money” competition for high school students took place at Migjeni Theatre in Shkodra with 16 participant high schools competing against each other. The competition was attended by students, professors, representatives of the Educational Directory of Shkodra district and participant students’ family members. In his capacity as the Chairman of the Competition Jury, Governor Fullani accentuated the importance of economic and financial education to the development of the national economy and the prosperity of its citizens. The Governor congratulated the students and professors of participant high schools for their outstanding work and commitment and enthusiasm shown in this competition. At the conclusion of the two-round competition, “28 Nëntori” High School was announced winner for the Shkodra district.

Following Vlora and Shkodra, Korça was the third district to host “The Real Value of Money” competition for the academic year 2008-2009. On 24 April, 11 high schools of Korça district competed against each other at A. Z. Çajupi Theatre. 11 teams of 3 high school students each answered before the Bank of Albania Jury to a number of questions, including quizzes, missing terms completion and elaborative questions on the Bank of Albania, its objectives, functions and monetary policy. After several hours of competition, “Themistokli Gërmenji” High School, which scored the highest points, was announced winner of “The Real Value of Money” competition for the Korça district.

*Bank of Albania Competition
“The Real Value of Money”
for High Schools of Korça
District, 24 April 2009*

On 8 May 2009, 7 high schools of Gjirokastra district competed against each other in the Bank of Albania competition “The Real Value of Money”. The competition attracted the attention of participant competitors and of the audience that had filled up the Zihni Sako Theatre and warmly supported the competitors. In response to the interest of the audience, the Governor of the Bank of Albania and the Chairman of the Competition Jury, Ardian Fullani, explained the importance of public educational programmes that have been designed and implemented by the Bank of Albania in the last two years. At the

*Bank of Albania Competition
“The Real Value of Money”
for High Schools of
Gjirokastra District, 8 May
2009*

conclusion of the competition, the winners of different awards were delivered trophies, certificates and presents. The first prize went to “Siri Shaplllo” High School.

Inauguration ceremony of the new premises of the Bank of Albania Branch in Gjirokastra

On 7 May 2009, in addition to “The Real Value of Money” competition for the high schools of Gjirokastra district, the Governor of the Bank of Albania, Ardian Fullani, attended the inauguration ceremony of the new premises of the Bank of Albania Branch in Gjirokastra. Following an extensive work for the construction of new premises according to all contemporary standards of most modern banks, the Bank of Albania Branch in Gjirokastra opened its doors to the public. At the end of the ceremony, the Supervisory Council held its regular meeting in Gjirokastra Branch.

Visit of the Central Bank of the Republic of Kosovo Delegation to the Bank of Albania

On 14-16 May 2009, a delegation from the Central Bank of the Republic of Kosovo (CBK), composed of Driton Thaçi, Head of Physical and Telecommunication Security Unit at the CBK, and Afërdita Uruqi, Head of Procurement at the CBK, had a working visit at the Bank of Albania. This visit was organized in the framework of the technical assistance the Bank of Albania provides to the CBK. The two CBK representatives held bilateral meetings with representatives of the Administration Department and Security and Protection Department at the Bank of Albania. The parties shared their respective experiences and discussed the organizational structures in order to ensure the well-functioning of work and the efficient distribution of duties and responsibilities within the respective departments.

Bank of Albania Competition “The Real Value of Money” for High Schools of Tirana District, 25-26 May 2009

At the conclusion of its tour in Vlora, Shkodra, Korça and Gjirokastra, “The Real Value of Money” competition returned to Tirana to challenge the capital city’s high school students with questions on the central bank, its functions, monetary policy and the instruments it employs. On 25–26 May 2009, at the Bank of Albania Hall, teams of 3 students each, representing 25 high schools in Tirana, competed against each other divided in 5 different panels. After a long and highly competitive competition, at the end of the second day, “Tirana Jonë” High School was announced winner of “The Real Value of Money” competition for Tirana district.

Through this competition, the Bank of Albania aims at broadening and developing the students’ understanding of the central bank and its monetary policy, presenting a real economic and financial culture to this age-group in an entertaining way. This competition allows the students to play the role of the Supervisory Council of the Central Bank, inviting them to get familiar to its work for achieving and maintaining price stability. It also helps to encourage the new generation to focus their university and post-university studies on economy, business and finance-related branches.

Visit of IMF Representatives to the Bank of Albania

On 24-31 May 2009, Atilla Arda and Bossu Wouter, Legal Counsels for the International Monetary Fund (IMF), had a working visit at the Bank of

Albania. This visit was organized in the framework of the technical assistance the IMF provides to the Bank of Albania for the drafting of the new Law on the Bank of Albania. The purpose of this mission was to discuss the draft law on the payment systems, the best international practices in this area and the EU regulatory framework. The discussions of the IMF Legal Counsels with the Legal, Payment Systems and Monetary Operations Departments' staff at the Bank of Albania were held in the form of a seminar, where the participants discussed the payment systems' legislation, systems' protection and surveillance and the central bank law (first chapter).

On 29 May 2009, the Payment Systems Department held at the Bank of Albania Library a working meeting with commercial banks' coordinators focusing on the performance and further progress of the payment system in Albania. The topics discussed in this meeting related to the performance of the payment systems in 2008; the measures taken in view of implementing the Regulation "On the structure and use of IBAN in Albania" and the problems encountered; the restructuring of the treasury payment process from the Government account held with the Bank of Albania channelling it through the payment systems; problems encountered in the reporting of payment instruments' statistical indicators; and other concerns raised by banks' coordinators for the improvement of the payment systems' regulatory basis or infrastructure.

*Working Meeting on
Payment System Matters*

On 9-20 June 2009, Goran Knežević, IMF Counsel, had a working visit at the Bank of Albania Supervision Department. This visit was organized in the framework of the IMF Technical Assistance Mission with the purpose of drafting the development plan of the Bank of Albania supervisory capacities. During his visit, Mr. Knežević met with Bank of Albania Administrators and heads of departments and representatives of other financial institutions in Albania.

*Visit of IMF Representative
to the Bank of Albania
Supervision Department*

On 15-19 June 2009, Cynthia McNulty, Chief Market Risk Officer at PNC Bank, Pittsburg, USA, had a working visit at the Bank of Albania Supervision Department. Contacted by the FSCV with the request of the Bank of Albania, Ms. McNulty is part of a project whose aim is to review and improve the current stress test methodology. The purpose of Ms. McNulty's visit to the Bank of Albania, as the first phase of this project, was to get familiar to the Albanian banking system and the current stress test methodology. The FSVC expert met with Supervision Department representatives of Off-site Supervision Division and Credit Registry Office and with representatives of Financial Stability and Research Departments. At the conclusion of her visit, Ms. McNulty prepared some recommendations for the Supervision Department.

*Visit of FSVC Expert to the
Bank of Albania Supervision
Department*

For more than two years, Research Department at the Bank of Albania has been organizing the Friday Seminar with the purpose of presenting and

Friday Seminar

discussing theoretical and empirical scientific works having at their main focus the case of Albania and the application of the most recent research methods. Friday Seminar invites all researchers at the Bank of Albania and broader to discuss their empirical and theoretical papers of a high scientific standard.

The first paper for the quarter April to June 2009 was presented by Vasil Zaho, winner of the 2008 Governor's Award for the Best Diploma Thesis, and it was entitled "Efficiency and Productivity Growth of Albanian Banks". This study uses data envelopment analysis to distinguish between cost, allocative, technical, pure technical and scale efficiency, and a distance function approach to derive Malmquist productivity indexes for 12 Albanian banks over the period 1999 to 2006.

In May, Prof. Murat Karagoz from Epoka University presented the paper entitled "Reflections on the Late 2000 Recession". Although some casual comparisons between the late 2000s recession and the Great Depression in 1929 have been made, there remain large differences between the two events. Unlike the Great Depression, this recession was synchronized by global integration of markets, causing the synchronized recession to last longer than typical economic downturns and have slower recoveries.

The third study for this quarter was presented by Arjan Kadareja, Member of the Bank of Albania Supervisory Council entitled "Financial and Real Variables for Euro Area Countries with International Linkages. A Global VAR Approach". The study provides a quantitative evaluation of the effects of shocks (country specific or global) on a number of economic variables for US, UK and Euro area countries. The latter are analyzed individually, which is vindicated by the asymmetric behaviour of the single economies in the current crisis.

The next study discussed at the Friday Seminar was presented by Elona Dushku, Bank of Albania Research Department, and it was entitled "Gap Model". Ms. Dushku outlined the work to date for the construction of a new model for the Bank of Albania monetary policy called the Gap Model. This model contains 4 equations for the real GDP, real interest rate, real exchange rate and inflation rate. All variables are presented in the form of deviations from their equilibrium levels. This model provides a good merger of neo-Keynesian and real business cycle characteristics.

Irini Kalluci from the Research Department at the Bank of Albania presented another study entitled "Analysis of the Albanian Banking System from the Risk-Performance Viewpoint". This study makes a theoretical and analytical analysis of risk and return indicators of the Albanian banking system. It introduces for the first time the estimation methodology of a risk index for the system. The purpose of this study is to analyze the risk and performance indicators and to suggest some indicators and an index that may be used by the supervisors during their work.

The last study for this quarter was presented by Ilir Vika from the Research Department at the Bank of Albania and it was entitled "Measuring the ALL

Exchange Rate Equilibrium". The purpose of this study is to measure the exchange rate equilibrium in Albania using the ARDL model for the real exchange rate of the ALL versus the EUR. The determinants of the equilibrium real exchange rate considered in this study include the output gap, net foreign assets, government expenditure, interest rate spread and the economic openness.