

5. MEDIUM-TERM DEVELOPMENT STRATEGY OF THE BANK OF ALBANIA 2021-2023

The Medium-term Development Strategy is a guideline for the activities of the Bank of Albania for 2021-2023. The strategy identifies the challenges faced by the institution and sets out the main objectives, by planning the necessary activities to accomplish them.

The Strategy serves as a guiding framework for the budgeting process in the Bank of Albania. The process of forecasting expenditures and revenues is organized in order to fulfil the duties assigned by the organic law and strategic objectives.

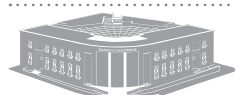
The approval of the Strategy by the Supervisory Council is an important aspect of the role of the highest decision-making and supervisory body of the Bank of Albania. This is also an essential element of good governance of the institution, in terms of division of responsibilities, between governing bodies, to set priorities, determine the means for their fulfilment and monitor the performance achieved.

The update extends the duration of the existing strategy beyond 2022, thus providing the necessary programmatic support for the Medium-term Preliminary Budget for 2022 and 2023. Where necessary, new targets for 2021-2023 have been set, or existing targets have been changed.

The update also reflects the measures taken by the Bank of Albania, in the field of monetary policy and banking and financial supervision, to mitigate the impact of the Covid-19 pandemic on the economy and to support citizens.

The strategy keeps the mission, vision and core values of the institution unchanged. The organic law sets out the priorities in the BoA's activity in fulfilling its mission and vision. In line with the main objective of price stability, the Bank of Albania promotes and supports: (i) the foreign exchange system; (ii) the internal financial market; (iii) payment systems; and (iv) improvement of monetary and lending conditions in support of the country's stability and economic developments.

Other objectives, being conditioned by the primary objective of the Bank of Albania, promote maintenance of the liquidity level, solvency, and the smooth functioning of a banking system based on market principles. The duties left in the Resolution of the Parliament on the assessment of the Bank of Albania activity are automatically included in the strategic objectives, according to the respective fields.



The strategy is composed of three main parts, addressing implementation of the Mission, Vision and Values of the Bank of Albania. Each part is divided into chapters according to the main fields of responsibility of the institution. The objectives of the strategy aim to be: (i) clear and understandable; (ii) feasible considering the human and financial resources, staff experience and qualification, and the external factors; and (iii) achievable within the medium-term period.

The main challenges to the Bank of Albania during the three-year period are:

a) *Maintaining monetary stability*

The monetary policy of the Bank of Albania will continue to be oriented towards maintaining price stability. The objectives for the medium term aim at increasing the effectiveness of monetary policy drafting, enhancing flexibility of its instruments, improving communication with the public, and strengthening cooperation with national and international partners, for the purpose of increasing the synergy of domestic economic policies and supporting the European integration process.

b) *Promoting financial system stability*

The final objective of the macro-prudential policy is to help safeguard the stability of the entire financial system by preventing and mitigating systemic risks and strengthening the resilience of the financial system. BoA will engage in the assessment, monitoring and identification of the actions for addressing financial system risks, focusing in particular on systemic risk and the banking sector.

Banking supervision will continue to focus on providing a sound financial system, which guarantees public confidence, ensures stability and contributes to a stable economic growth. The development of the regulatory framework will continue to be oriented towards alignment with the Basel III standards and the European Union legislation. The effects of the Covid-19 pandemic on credit, liquidity, information technology and systems security risks, as well as the planning of capital needs of financial entities will also be monitored and assessed. Banks will be oriented towards a risk-based approach, to address and mitigate, in a timely manner, the increased risks and weaknesses identified as a result of the pandemic.

The Bank of Albania, in capacity as resolution authority, will focus on extending the resolution planning - currently carried out for systemically important banks - to all banks.

c) *Promoting the smooth operation of payment systems*

The BoA will continue to work on expanding institutional capacity and will complete the regulatory framework needed to conduct effective oversight of



the operators for the infrastructures of securities clearing and settlements. Work will also be done on consolidating an easing regulatory environment for retail payments, drafting bylaws for implementing the Law “On Payment Services”, and adopting the EU Payment Accounts Directive.

d) *Improving currency quality*

BoA aims to maintain the quality of the banknotes in circulation, in order to increase the trust of the public in the currency. The main goals are fulfilling the need of the economy for money available to adequate to circulate, improving the quality of the banknotes, to protect against counterfeiting and to improve the administration and to strengthen the physical security of monetary values. BoA will continue the work for the production and circulation of the new series of 500, 1000 and 2000 Lekë denomination banknotes, as well as the new 10,000 Lekë denomination.

e) *Foreign reserve management*

In order to manage better the foreign reserve, the Bank of Albania aims at diversifying investment instruments including: (i) Future contracts; (ii) Reverse REPO; (iii) mortgage backed security; (iv) inflation linked bonds.

f) *Drafting and distribution of statistics*

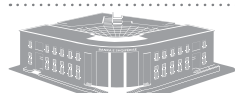
The main objectives in the field of preparation and distribution of statistics are: development and implementation of international standards and requirements; improving the infrastructure in the collection, processing and distribution of statistical information; and the addition of new statistical indicators, in line with the obligations arising from the Action Plan for Economic, Monetary and Financial Statistics for the candidate countries in the European Union.

g) *Scientific Research*

The main medium-term objective in the area of scientific research is to integrate the results of economic research and empirical analyses, in order to help monetary policy decision-making, financial stability and financial market regulation, as well as other aspects of central banking.

h) *Strengthening the good governance of the institution*

Strengthening the governance of the BoA aims, firstly to increase the independence of the institution, in accordance with the Treaty of the European Union standards and the Statute of the European System of Central Banks. Good governance also means accountability for the functions, physical, human and financial resources of the institution. This includes further harmonisation with the International Standards of Financial Reporting and the improvement of the interconnection of the processes of strategic planning and budgeting.



BoA is committed in developing stable human resources, to guarantee the sustainability of services and addressing new challenges. Human resource management has taken on a special significance in the context of the Covid-19 emergency situation, which challenged traditional working models, necessitating dynamic measures for coordination between units and employees, without bypassing the maximum provision of healthcare at work.

Internal Audit serves as a trusted advisor to administrators and the Audit Committee. The main objectives for the period 2021-2023 are focused on ensuring compliance with international standards of internal audit and providing assistance towards strengthening the role of the Audit Committee.

Work will also continue to increase and consolidate the maturity level of the operational risk management framework. With the completion of the project for the design and implementation of the Business Continuity Management Programme, the main objective for the medium-term is its awareness, completion; ongoing testing and maintenance, taking into account the suggestions and issues raised by the crisis operational teams, activated during the management of the pandemic caused by Covid-19.

Information technology policy will be oriented towards improving infrastructure, process automation, adding and improving electronic services, always guided by security in information technology.

