

5. MEDIUM-TERM DEVELOPMENT STRATEGY OF THE BANK OF ALBANIA 2018-2020

The medium-term development strategy represents the ambition of the Bank of Albania for the period 2018-2020. The strategy aims to give a proactive response to the challenges of the environment where the Bank of Albania operates; increase the cooperation within the institution; promote the effective and efficient use of resources; as well promote public transparency and accountability.

This document is an update of the 2016-2018 strategy, which extends its implementation deadline beyond 2018 and sets the main objectives for the next three year period. The extension of the implementation period provides adequate programmatic support for the Bank of Albania medium-term orientation budget for 2019 and 2020.

The extension of the deadline reflects, at the same time, the medium-term objectives achieved so far, which no longer appear in the content of the strategy. Where necessary, new objectives are foreseen for the period 2019-2020, or the existing objectives have been updated. Determining new objectives has been necessary in areas such as bank resolution, or operational risk management, which are new to the Bank of Albania.

The Bank of Albania has adopted the model of several banks of the European System of Central Banks, which have a dual strategic planning system: (i) a major planning process, once in 3-5 years; and (ii) a (minor), annual, update process.

The Medium-Term Development Strategy 2018-2020 has the mission, vision and core values of the institution unchanged, which represent the starting point of the document. The Mission expresses the reason for the existence of the Bank of Albania and the fundamental purpose orienting its activities. The values summarize the common principles that are part of the Bank of Albania culture and guide the behaviour of employees. The vision clarifies the direction of the Bank of Albania and the way the institution seeks to be perceived from the world (i.e. state institutions, the banking system and the public).

The Objectives derive from the organic law and set the priorities in the Bank of Albania's activity in fulfilling its mission and vision. The implementation of the objectives is based on: (i) human resources: skills, talents and knowledge of employees; (ii) information technology: databases, information systems, networks and technology infrastructure; and (iii) internal organization: culture, management, employees and group work.



The main challenges that the Bank of Albania will face over the next three years are:

a) *Maintaining monetary stability*

Bank of Albania's monetary policy continues to be oriented towards maintaining price stability and aims to foster cooperation with partners in Albania and abroad through better coordination of macroeconomic policies and exchange of information and expertise.

The Bank of Albania's operations aim to increase the flexibility of instruments for the implementation of the monetary policy and the safeguarding of financial stability. The further development of the money market and of the secondary market of government securities, as well as the improvement of AFISaR infrastructure remain Bank of Albania priorities.

b) *Ensuring a stable and efficient financial system*

The implementation of the Macro-prudential Policy Strategy aims to take actions to prevent and treat systemic risk. The Bank of Albania will aim to finalize the definition of the indicators and critical levels for some systemic risk indicators, with a view to operationalizing the macro-prudential instruments and preparing the relevant methodologies. At the same time, efforts will be made to enrich and consolidate databases and reporting forms, harmonize analyses and indicators used by different organizational units within the Bank of Albania, and strengthen analytical and modelling capacities. In particular, work will be done to clarify the relationship between macro and micro-prudential policies with monetary policy, focusing on exchanging and analysing important information as well as on the interaction in relevant decision-making.

c) *Ensuring a sound banking activity*

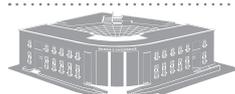
Banking supervision focuses on obtaining a secure sound financial system which guarantees the citizens' confidence and contributes to sustainable economic growth. The development of the regulatory framework is oriented towards Basel's standards and the European Union legislation. Also, efforts will be made to consolidate the risk-based supervision process and improve the quality of financial reporting of supervised entities.

d) *Addressing Possible Issues of Financially Challenged Banks*

As the Resolution authority, the Bank of Albania aims to implement resolutions organized in financially challenged banks, minimizing the impacts on the real economy, public finances and financial stability. The work focuses on setting up a regulatory framework, drafting resolution plans, contributions to the resolution fund, and coordinating actions with other domestic and foreign institutions.

e) *Increase of the quality of statistical data*

Objectives in the statistical field are oriented towards meeting the quantitative standards of international methodologies and European Union legislation, as well as meeting the quality criteria of data, according to international standards.



f) *Improving quality of the national currency*

One of the main objectives of the Bank of Albania is to maintain the quality of banknotes in circulation, in order to increase the public confidence in the currency. This will be achieved through the production of new banknotes that are redesigned with security elements of state-of-the-art technology.

g) *Strengthening the governance of the institution*

Strengthening good governance implies, in addition to consolidating the independence of the institution, in accordance with the Statute of the European System of Central Banks, increasing accountability in the fulfilment of tasks, and in the management of physical, human and financial resources.

Operational risk management is also defined as a primary objective in accountability. This implies a structured, systematic and comprehensive approach to addressing the non-financial risk faced by the institution in all the aspects of activity.

Transparency is another aspect of good governance, closely related to the concept of accountability. The Bank of Albania's main objective in this regard is to provide information and improve communication channels with the public and groups of interest, in order to foster the institution's credibility and monetary policy efficiency.

h) *Bank of Albania' resources*

The Bank of Albania is continuing the work for the reconstruction of the former Hotel Dajti. The building will enable accommodation in optimal conditions for around half of the Bank of Albania staff members.



