

5. MEDIUM-TERM DEVELOPMENT STRATEGY OF THE BANK OF ALBANIA 2022–2024

The strategy sets out the main objectives of the BoA for 2022-2024, 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.

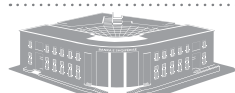
The strategy describes concisely, the primary commitments over the next three years, given the latest developments in the domestic and international economy, the need for economic recovery after the Covid-19 pandemic and the need for further modernization and refinement of technological services provided.

The mission, vision and core values of the Strategy are based on the priorities of the BoA's activity set out in the organic law. In line with this main objective, the Bank of Albania promotes and supports the: (i) foreign exchange system; (ii) internal financial market; (iii) payment systems; and (iv) helps of the improvement of monetary and lending conditions in support of the country's stability and economic developments.

Other objectives are conditioned by the primary objective of the Bank of Albania, promote maintaining the liquidity level and the smooth functioning of a banking system based on market principles.

The tasks addressed in the Resolute 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 the implementation of the Mission, Vision and Values of the Bank of Albania. Each part is divided in chapter accordingly to the main fields the institution is responsible for. 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 main challenges to the Bank of Albania during the three-year period are: (i) further improve the monetary policy drafting and implementation framework with a view to effectiveness, efficiency and coherence in fulfilling its role; (ii) increase coordination with fiscal and macro-prudential policies; (iii) boost the development of domestic financial markets; (iv) further improve transparency and understanding to the public; and (v) strengthen dialogue and cooperation with national and international partners.

The monetary policy strategy will be guided by: (i) analysis and implementation of lessons learned from dealing with the Covid-19 pandemic; (ii) analysis of the implications of ongoing innovation in financial markets and products; (iii) monitoring of climate risks for the economic and financial environment; and (iv) best central banking practices.

b) *Promoting financial system stability*

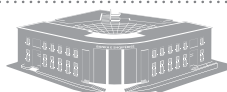
The BoA aims to strengthen its role within the macroprudential policy, by drafting the sub-legal framework for the instruments placed on the borrower and for the operationalization of the macroprudential capital increase for systemic risk. In line with global commitments to assess and monitor climate change, an assessment will be made of the impact of climate change risks on banking and financial activity, as well as possible instruments to address them.

Adoption of the international standards on capital and liquidity of Basel III and their implementing acts in the European Union (regulation and directive on capital requirements) aims at strengthening the banking sector's resilience, to be at a rather good position for absorbing shocks. It also aims at urging banks to continue to finance the economic activity and growth.

In its capacity as the Resolution Authority, the Bank of Albania will focus on continuously strengthening the banking sector's capacity to implement resolution, as well as regularly updating the methodology for defining the minimum requirement.

c) *Promoting the smooth operation of payment system*

In the field of payment systems, the implementation of regulatory and infrastructural innovations undertaken so far will continue, such as the: (i) operationalisation of Direct Debit scheme; (ii) expansion of participation in payment system with new actors in the market; and (iii) operationalisation of payment settlement in Euro within Albania; At the same time, work will continue to improve households' access to bank accounts.



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. For this reason, the production of banknotes with improved design and their issuance during 2022 will be completed.

e) *Foreign reserve management*

The Bank of Albania adopts and implements the exchange rate policy and manages the foreign exchange reserve of the Republic of Albania, in accordance with the best international practices. In order to improve management, the BoA aims to diversify investment instruments.

f) *Drafting and distribution of statistics*

The key objectives in the field of preparation and distribution of statistics are: (I) development and implementation of international standards and requirements; (ii) improving the infrastructure in the collection, processing and distribution of statistical information; and (iii) the addition of new statistical indicators, in line with the obligations for the candidate countries in the European Union.

g) *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 standards 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. In this context, the completion of the accounting manual in accordance with IFRS within the context of the BoA operations / transactions will continue.

Internal Audit serves as a trusted advisor to administrators and the Audit Committee. Its activity will focus on ensuring compliance with international standards of internal audit and increasing support for the Audit Committee.

The focus will also be on improving the operational risk management framework through the implementation of a program for maintaining, analysing and generating risk reports, as well as improving reporting on the effectiveness of action plans, in order to reduce operational risk.

Business continuity management framework will be updated, considering the issues as a result of the pandemic.

In the field of information technology, will be worked towards further modernization of the collection and processing of statistical data.

The BoA aims to increase transparency by expanding information and continuously improving communication channels with the public and various stakeholders, as well as improving education and financial inclusion.



**FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31
DECEMBER 2021**
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

