

5. MEDIUM-TERM DEVELOPMENT STRATEGY OF THE BANK OF ALBANIA 2020-2022

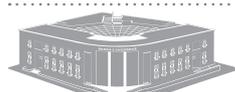
The medium-term development strategy sets out the ambition of the Bank of Albania for the period 2020 - 2022. This document is an update of the strategy for 2019-2021, through which the implementation term has been extended beyond 2021, and the main objectives for following medium-term are set forth. Extension of the term also reflects the realised objectives at the end of 2019, which are no longer reflected in the contents of the strategy. Wherever necessary new objectives are laid down or existing objectives are amended.

Revision of the strategy was indispensable for the approval of the Bank of Albania budget for 2020 and for the orienting medium-term budget for 2021-2022. The regulation "On budgeting at the Bank of Albania" conceives of budgeting as a forecast process of the Bank of Albania's income and expenses, for the accomplishment of tasks set forth in the organic law and the objectives determined in the Medium-term Strategy. This budget is divided into detailed items for the first financial budgeting year and summarised and orienting items for the second and third consecutive years. The budget is reviewed each year, in compliance with the objectives and work programs of the units. The extension of strategy duration was necessary, in order to support the orienting medium-term budget items for the years 2021 and 2022.

The mission, vision and values of the Bank of Albania in this strategy were kept unchanged. They are detailed in the text of the Strategy, in order to comply with the strategic objectives. The strategic objectives set out the general directions and priorities in the activity of the Bank of Albania. The objectives are defined in the organic law and are related to (i) price stability (the main objective); (ii) the foreign exchange system; (iii) the internal financial market; (iv) payment systems; and (v) improvement of monetary and lending conditions in support of the country's stability and economic developments. 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 external factors; and (iii) achievable within the medium-term period.

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 for 2018 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. Such organisation provides rather detailed information regarding the strategic objectives, activities and the responsible unit for their realisation. On the other hand, it serves to better monitor implementation of the activities set out in the Strategy.

The main priorities in the work of the Bank of Albania in the next three years relate to safeguarding monetary and financial stability in Albania, providing an effective payment system, fulfilling the needs of the economy for cash, and strengthening good-governance of the institution. They are detailed as follows:

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 period aim at increasing the effectiveness of monetary policy drafting, enhancing flexibility in the implementation of monetary policy, improving communication of monetary policy, and strengthening cooperation with national and international partners, for the purpose of increasing the synergy of domestic economic policies and supporting European integration of the country.

The operations performed by the Bank of Albania aim at good management of the foreign exchange reserve to meet foreign currency liquidity needs related to implementation and support of monetary and exchange rate policies, safeguard financial stability, meet the needs of the country in periods of crisis, and maintain the reserve fund. Amongst the main priorities, there are: the promotion of developments in the domestic market; and improvement of the financial result of the foreign exchange reserve investment.

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. For this reason, the Bank of Albania aims at developing the macro prudential instruments, methodologies and procedures related to sectoral risks.

Banking supervision will continue to focus on providing a sound financial system, which guarantees public confidence, ensures stability and contributes to stable economic growth. The development of a regulatory framework will continue to be oriented towards alignment with the legislation of the European Union, and with the Basel III principles. The following will also be worked on: further consolidation of risk-based supervision, reduction of non-performing loans, and implementation of technological developments and innovations, in the financial system and payment systems.



The Bank of Albania, in its capacity as Resolution Authority, aims at realising an organised intervention in troubled banks facing financial distress, by minimising its impact on real economy, public finances and financial stability. Also, during the period, focus will be on strengthening the capacity for resolution in banks, completing the regulatory and methodological framework for resolution, monitoring the Resolution Fund, and strengthening the human and logistical capacities of the Resolution Authority

c) *Promoting the smooth operation of payment systems*

In the payment area, the Bank of Albania aims at promoting and overseeing the smooth functioning of payment systems, regulating payment instruments and services on electronic transfers, establishing a contemporary and comprehensive retail payment market, and promoting the use of electronic payment instruments.

d) *Fulfilling the needs of the economy for cash and improving the quality of banknotes*

Maintaining the quality of banknotes in circulation is aimed firstly at preserving their integrity, in relation to the public that uses them. The main objectives in this regard are fulfilling the needs of the economy for cash, fit for circulation; improving the security features of Albanian banknotes; protecting against counterfeiting and improving management; and strengthening the physical security of monetary values.

e) *Strengthening the good governance of the institution*

The Bank of Albania aims at fully aligning its own organic Law to the Statute of the European System of Central Banks. Good governance includes accountability related to the functions and human, physical and capital resources of the institution. It also implies further alignment with the International Financial Reporting Standards (IFRS) and improvement of interconnections of strategic and budgeting planning processes.

