

6. MEDIUM-TERM DEVELOPMENT STRATEGY OF THE BOA 2023-2025

The Medium-Term Strategy of the Bank of Albania updates the existing strategy, extending the deadline for its implementation. It defines the objectives for the next medium-term period, which serve as a basis for drafting the budget of the Bank of Albania, the process of forecasting expenses and income, in order to meet the duties assigned by the organic law and strategic objectives.

The Strategy encompasses the main functions of the Bank of Albania: the policies (monetary policy, foreign currency reserve, banking supervision, macro-prudential policy); the financial infrastructure (currency issue, payments systems); horizontal functions (research, statistics); and supporting services (human resources, legal issues, internal audit and Information technology).

In line with the main objective of safeguarding price stability, the Bank of Albania promotes and supports: (i) the foreign exchange system; (ii) the internal financial market; (iii) payment systems; and (iv) help for the improvement of monetary and lending conditions in support of the country's stability and economic developments. Other objectives which are conditioned by the primary objective are promoting maintenance of liquidity levels, solvency, and the smooth functioning of a banking system based on market principles.

The Bank of Albania takes care of the tasks addressed in the Resolution of the Parliament on the assessment of its activity to be included in the strategic objectives, according to the respective fields.

The following are the main objectives of the BoA's activity.

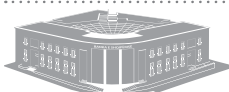
a. *Monetary Policy*

Monetary policy will focus on implementing the lessons learned from dealing with the pandemic, analysing the implications of the innovation of financial markets and products, as well as monitoring climate risks in the economic and financial environment. Cooperation with macro-prudential and fiscal policies will increase, in order to improve the efficiency of monetary policy in the direction of sustainable and long-term growth of the country.

The Bank of Albania will continue intermediation to purchase and manage the government securities accounts of individuals, for a faster transmission of the monetary policy to the economy and easing of the decision-making of individuals in the new monetary conditions in the country. Also, other initiatives will be undertaken to stimulate the money market, in cooperation with the banking system and regulatory authorities.

b. *Financial System Stability*

The Bank of Albania aims to improve the implementation processes of the



macro-prudential policy, with a focus on (i) the enrichment of macro-prudential instruments aimed at structural systemic risks; (ii) completing the regulatory framework on the requirements to the banking sector for ensuring adequate cyber protection; and (iii) increasing the capacities for the analysis and improving the resilience of the Bank of Albania and the banking sector, in the face of adverse effects of climate change.

In the framework of strategic developments, the Bank of Albania is in the process of approving the strategy for the administration and supervision of financial risks related to the climate in the financial sector during the period 2023-2025. The strategy will include the position and activity of the Bank of Albania in the medium term regarding the administration of the challenges the country is facing in the context of climate change and the transition to an economy with net-zero carbon dioxide emissions.

The regulatory framework will continue to align with Basel 3 and be updated in terms of operational risk oversight and information and communication technology risk. Cooperation with banks to manage the risk of cyber-attacks will increase. The process of managing non-performing loans will be harmonized with European Union practices.

In the capacity of the Supervision Authority, the Bank of Albania will draft technical manuals that support the banking sector in the preparation of contingency plans, in accordance with legal requirements. In addition, fulfilment of the individual work program for dealing with possible obstacles to supervision for each bank, will be monitored.

c. *Payment Systems*

The Bank of Albania will continue to implement regulatory and infrastructural innovations such as: (i) updating systems to accommodate developments in the field of retail payments; (ii) promoting the use of the direct debit scheme; and (iii) supporting the participation of new actors.

Within the framework of the National Strategy for Retail Payments, the Bank of Albania is engaged in drafting the law "On the account of payments with basic services" for the promotion of financial inclusion, and in the Instant Payment project for the support of market actors in the creation of a regulatory framework that promotes the safety and efficiency of the services provided.

d. *Quality of money in circulation*

The Bank of Albania aims to preserve the quality of banknotes in order to increase the public's confidence in money. Its activity will continue to focus on meeting the increasing needs of the economy for cash suitable for circulation.

e. *Management of international reserve*

The implementation of a new system for the management of the foreign exchange reserves portfolio, through the addition of new classes of financial



instruments, will ensure the management, measurement and reporting of the risks that are carried, and the income that is created during the investment of the portfolio. The system will support the implementation of monetary policy and payment and transfer services.

f. *Drafting and distribution of statistics*

An integrated system will enable the efficient and secure administration of data collected and distributed by the Bank of Albania. The number of users (experts or not) and statistics used by the public will increase, through increased visualization, reading and presentation of the data produced.

g. *Scientific Research*

Research work will pay attention to the analysis of climate risks and the construction of models for the assessment of their effects on the Albanian economy. These models will be transformed into platforms of analysis and orientation for making decisions related to monetary policy and financial stability.

h. *Good governance*

The continuous strengthening of good governance will be realized through the increase of institutional independence, transparency and accountability, in accordance with the obligations arising from the process of gradual approximation with the legislation of the European Union.

In the field of information technology, work will be done for expanding and improving infrastructure, adopting new technologies and strengthening cyber security and protection.

Processes for the good management of assets and financial resources will be improved, in accordance with the budget forecasts, reflecting the changes in the International Financial Reporting Standards (IFRS). The general accounting framework will be continuously revised to adapt to the evolution of standards, to provide a complete framework according to IFRS.



