

5. MEDIUM-TERM DEVELOPMENT STRATEGY OF THE BANK OF ALBANIA 2019-2021

The medium-term development strategy sets out the ambition of the Bank of Albania for the following three-year period. This document is a follow-up of the implemented strategy 2016-2018, which was updated in November 2017.

The mission, vision and values of the Bank of Albania in this strategy were kept unchanged, as set out in 2016. They are detailed in the text of the Strategy, in order the strategic objectives comply with them.

The strategic objectives set out the general directions and priorities in the activity of the Bank of Albania to achieve its mission and vision. The objectives are set out in the organic law and are related to: (i) price stability (the main objective); (ii) foreign exchange system; (iii) internal financial market; (iv) payment systems; and (v) 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, are promote maintaining 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.

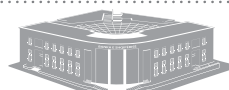
The strategy is composed of three main parts addressing the implementation of the Mission, Vision and Values of the Bank of Albania. Each part is divided into chapters according to the main fields or responsibility.

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

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

a) Maintaining monetary stability

The goal for 2019-2021 is to enhance effectiveness, flexibility and transparency of the monetary policy. The development strategy for the monetary policy is



based on the trends of internal and external developments, the identification of future challenges and the utilisation of relevant best international practices.

The Bank of Albania shall develop professional capacities to implement the increased flexibility of the monetary policy instruments and the mechanisms for monitoring the domestic foreign exchange market.

Objectives of the Bank of Albania, in the field of statistics, are oriented toward fulfilling quantitative standards of international methodologies and EU legislation, related to the content and reporting of statistics to European and international institutions.

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

Fulfilling the increasing needs of the economy for cash, fit for circulation, will be realised through putting into circulation banknotes with improved design, and the production of the new issue 10.000 LEKË.

Guaranteeing the quality of banknotes is aimed firstly at preserving their integrity, in relation with the public that uses them, and upholding a dignified image of the Bank of Albania and the Albanian state. Also, work will be done on improving the security features of the Albanian banknotes and increasing cooperation in the field of fight against counterfeiting, by formalising agreements with relevant authorities at national and European level.

c) Promoting the smooth operation of payment systems

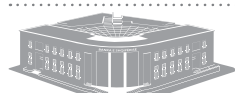
The Bank of Albania aims at regulating the operation of securities' clearing and settlement infrastructure, as well as expanding the institutional capacities for their licensing and oversight. In addition, efforts will be made towards consolidating the facilitating regulatory environment for retail payments.

The Bank of Albania will promote the use of electronic payments instruments, through infrastructural developments to guarantee safe, fast and low-cost circulation of money in the economy. In the medium-term period, work will be devoted to the creation of a national platform for processing SWITCH electronic payments and Instant Payments.

d) Promoting financial system stability

The Bank of Albania 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. This activity will be carried out in collaboration with other public authorities.

The focus will be on: (i) aligning the regulatory framework with the legislation of the European Union, and with the Basel Committee principles; (ii) further consolidating the risk-based supervision; and (iii) further reducing the non-



performing loans stock for the implementation of the National Plan for the Reduction of Non-performing Loans.

The Bank of Albania, as the resolution authority, will work on drafting the resolution plans for each bank within the legal term.

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 Bank. Special attention will be paid to the increase of the internal audit quality and the transformation of the Operational Risk Management (ORM) framework to an effective and qualitative instrument to prevent and minimise the operational risk the institution is exposed to.

The Bank of Albania aims at enhancing the effectiveness of procurement procedures, ensuring the proper use of funds and reducing its own expenditures.

