

Chapter 6.

Bank of Albania Institutional Development

The strategy for institutional development of the Bank of Albania³⁴ determined a set of objectives necessary to be fulfilled within the short-term and mid-term period in order to encourage the central bank's development. In this framework, during the year 2000, special attention was paid to the objectives that had priority, where we can mention the increase of transparency, adjustment of the bank's organisational structure with new tasks to be performed or the development of information technology and the statistical improvement.

6.1. BANK OF ALBANIA'S ORGANIZING STRUCTURE

In October 2000, the Supervisory Council approved the change of the Bank of Albania organisational structure. This change³⁵ performed within the time framework of two years and a half, was deemed as necessary so that the structure of the bank be better adjusted to the strategic targets as well as for ensuring a more effective functional relationship between departments and their divisions.

In the reorganised structure, there were reduced or absorbed some of the units which did not justify the independence or created duplication of the activity.

The changes have to do with:

1. Uniting divisions

- * In the function of supporting the strategy for perfecting the payment and accounting system, the new structure determined the uniting of Accounting Department with Payment Department as well. This organisation is expected to affect the development, conception and establishment of a payment system of RTGS type, but even the accuracy of accounting system, as a means of serving the administration and internal management needs. Also, the transferring of Finance Sector from Administration Department to Accounting and Payment Department ensured the gathering of the units having similar functions into a single department. It also ensured the task division between the "recorder" of expenses and their "executor" by ensuring the control increase over the expenditures performed by the central bank.

³⁴ The Bank of Albania Supervisory Council approved the strategy with decision no. 111, dated 17.11.1999.

³⁵ Recent changes in the organizational structure of the Bank of Albania belong to March 1998.

- * The uniting of Technology and Information Department with the Information Centre was laid down by the need to inform on and centralise the process of collecting, processing and distributing the Bank of Albania statistical information. Establishing the division of statistical observations in this department is thought to serve the process of improving the statistical information, which will ensure the conducting of more professional observations by the Bank of Albania.
- * Given the priorities of managing and qualifying human capital, the legal law and by-law improvements in the Bank of Albania, as well as the relations between the Bank of Albania employers and employees, the uniting of Human Resources Department and Juridical Department to one single department was considered as necessary. It is aimed through this operation to support and perfect a more qualified juridical and human resource service, a service that will reflect its impact on other departments and divisions of the institution.

2. New divisions

- * New divisions, which shall perform new functions, were created within the existing departments. The most important one is the establishment within the Monetary Operations Department of a respective structure, which shall handle the measurement of the risk of the Bank of Albania investments, the investment estimation and the real control of implementing the foreign currency reserve management. These are functions that fulfil better the activity framework of this department.
- * The intention of the Bank of Albania to be more open and to further develop relations with the public, should be supported by a good-organised department, that of the Public Relations.

According to the reorganised structure :

- The total number of employees is added from 314 to 334. The increase in the number of employees is noticed in the main departments such as: The Department of Technology and Information. In this way, a better ratio is put between the employees that handle the implementation of the central bank functions as compared to the employees that perform supporting activity. At year-end 2000, there were 294 employees working at the Bank of Albania. Thus, the scale of employing staff according to the structure was 88 per cent;
- There is made a division of departments' dependence among the three bank's managers. The Departments that perform the basic functions of the central bank have passed into the dependence of the Governor.

The two deputy governors are also Directors of Departments. This reorganisation aims to increase managers' responsibility, and simultaneously it offers a more effective and functional scheme in sorting out different problems. By means of this division, a larger control is made possible in pursuing and reaching the goals.

- A new position is created in different departments. Besides the director of the department, vice directors are foreseen in the new structure. This was made possible as a consequence of uniting different divisions for their better management. At the same time, the presence of vice-directors shall eliminate one of the deficiencies in organising the work of the Bank of Albania, that is, the concentration of the problems in few hands. Also, the vice-directors should be informed on department's problems. This ensures a normal sequence of the work in any situation;
- The nomination of chief-specialists is also foreseen. The chief specialist does not represent a promotion in the Bank's hierarchy, but an appreciation for a good job of its specialists, by serving even as a pupil at work.³⁶

³⁶ See the attached organizational chart for any details.

6.2. BANK OF ALBANIA - A MORE TRANSPARENT BANK

The Bank of Albania operates in accordance with its legal duties and is responsible to the public for implementing monetary policy, banking supervision management, as well as for carrying out other legal duties. It is the duty of the Bank of Albania to disclose its activity to the public. Therefore, the increase of transparency became a priority to the Bank of Albania during the year 2000. The operations undertaken in 1999 and with more intensity in 2000 served as measures used for establishing transparency foundations so as to adopt the philosophy of being an open institution. This could not be easily realised to an institution that had been relatively unknown and hidden to the public eyes and to an environment lacking well-disposed traditions towards transparency.

6.2.1. COMPARABILITY TO INTERNATIONAL STANDARDS.

The Bank of Albania determined firmly its target to observe international standards processed in transparency field such as the code of best practices for transparency into monetary and financial policies (Code) and the general data dissemination standards (GDDS). The Bank of Albania requested from IMF to assess the scale of meeting the requirements of the Code and to participate in GDDS.

The success to the observance of these two standards is different. Albania was decided to be the pilot country in implementing GDDS and managed to successfully finalise its first phase, that is, the publication of metadata in April 2000. Concerning the Code observance, the IMF assessment was disappointing: "The implementation scale of the desirable practices set in the Code, by the Bank of Albania, is mixed. On the one hand, the Bank of Albania has achieved a huge **implementation** of desirable practices regarding the **roles' clarification, responsibilities and targets**, for all practical purposes... On the other hand, the Bank of Albania implements **only partially**, or **even not at all**, the good practices of the Code concerning **the open process for formulating and reporting the monetary policy**."

... The implementation of desirable practices of the Code in this area, when it takes place, is often in relation to the Code **text** and not to its context (spirit). This situation effects concern because it affects significantly the transparency and the responsibility at long last. Besides this, it damages the efficiency of the monetary policy transmission mechanism by making it more difficult to the markets to form expectations effectively. The obvious deficiencies in this field should be treated as a priority issue".

6.2.2. REGULATION "ON THE BANK OF ALBANIA TRANSPARENCY AND CONFIDENTIALITY"

The Regulation "On Transparency and Confidentiality" was approved in June 2000 in order to ensure standards' observance and maximum commitment of the Bank of Albania managers and employees for enhancing the institution's transparency.

The Regulation's primary goal is **“the transparency enhancement of the Bank of Albania activity as well as the Bank of Albania non-public information management”**.

The adoption of the Regulation was aimed at realising a change of the Bank's philosophy: from a confidential institution to an institution open to the public. The implementation of the requirements of this regulation aimed at:

- Adopting a more transparent activity within the Bank of Albania;
- Informing the central state bodies, judicial authorities and the public on economic issues.

In this way, the process of enhancing the transparency is thought to help increase the credibility, responsibility and independence of the Bank of Albania. On the other hand, this will ensure public education with economic problems, by orientating economic players and by contributing to the efficiency increase of the transmission mechanism of the Bank of Albania decisions on economy. Time obligations set for realising a number of steps that will lead to transparency enhancement are the most important elements of the Regulation.

6.2.3. CONFERENCES AND PUBLICATIONS.

The transparency enhancement is thought to achieve through increasing press releases, appearing to the People's Assembly, organising seminars and holding discussions or conferences.

In 2000, the Governor of the Bank of Albania was presented three times to Parliamentary Commission of Economy, Finances and Budget; twice to press releases; to the Economics Faculty and Magistracy Higher School for holding lectures on the central bank's independence and on inflation; once to the discussion meeting held on the functioning of Tirana Stock-exchange.

In 2000, the Bank of Albania organised the national conference for the first time on “Statistical Information in Albania” in Co-operation with the Institute of Statistics. The purpose of organising the conference was to attract the attention for the low development level of statistics in Albania and for the low attention showed to this problem. On the other hand, the organisers intended to convey the idea of profitability of having good statistics to the highest authorities of the country and to the business environment. Through this conference, it was aimed to educate the public on the importance the statistics have for the decision-taking process.

On the other hand, the increased number of the titles of publications and their subscribers would help the increase of the recognition size of the Bank of Albania activity.

Currently, the publications comprise the most important tool with which the Bank of Albania discloses its activity to the public. The Bank of Albania publications now comprises a diversity of titles. They are periodically offered to the public, or, in any case, there are also special publications.

The year 1998 marked an important development towards the increased number of published titles. The year 2000 marked an important development concerning the publications' quality, by offering sufficient material that treats issues of a number of economy sectors, aspects of financial, banking, monetary and foreign exchange policies, written not only in technical language (terms), but also in a simpler version.

The increased number of publications, having explanatory character and simple language, has been an important development during the year 2000. These are publications realised in the form of a leaflet, which undertake to transmit to the public the knowledge on different economic issues. For the first time, such a leaflet was published in July 1999 and it explained the central bank. During the year 2000, it was passed into monthly leaflet publication.

Non-periodic publications were also increased especially in the title of discussion materials. For the first time, the Bank of Albania has published surveys by reflecting a new activity that it started to improve the information scale. Surveys contain analyses, conclusions and recommendations reached after conducting surveys on different aspects.

The number of pages published is increased from 90 it was in 1998 to 200 in 1999 and 2000 respectively. During the year 2000, the number of pages published as research materials and promotional materials is increased precisely 70 per cent and six times as compared to 1999. However, these publications still occupy a small weight in the total number of publications, respectively 9.8 and 5 per cent. In this way, the Bank of Albania has identified the increase of promotional materials and discussion materials as its target for the year 2001.

In order to be closer to the public, the Bank of Albania published its Internet page in 2000, which contains sufficient and detailed information. This year, for the first time, it discloses preliminarily the issues to be discussed by the Supervisory Council and immediately after its meetings, it discloses and explains the decisions taken. Month by month the number of messages received by persons interested in its web site is getting increased. In 2000 the number of informing replies by the Bank of Albania is made double (about 250 per month).

The Bank of Albania is guided by the principle of offering a considerable financial support for the process of enhancing the transparency:

- The publications of the Bank of Albania may be requested by anyone and they are offered free of charge. Concretely, the Bank of Albania subscribers' list is on average three times higher in 2000 against 1998, while the list of subscribers for promotional leaflets is 5 times higher in 2000 against 1999.³⁷ The expenditures performed for publications of 1999 are three times higher than the ones of 1998. In 2000 they were 3 and 18 times higher than 1999 and 1998 respectively;
- It organises seminars, discussion meetings and conferences for which a fund of Lek 3.1 million is expended;
- It has conducted statistical surveys, as part of improving the statistics and transparency, for which Lek 460 thousand are expended.

³⁷ The comparisons are made respectively with the years 1998 and 1999 as they represent the period when publications are prepared for the first time.

6.3. DEVELOPMENTS IN INFORMATION TECHNOLOGY

Information Technology Development is more than indispensability. It constitutes a priority of institution's development. Taking into consideration the current scale of implementing the information systems, current tendencies and inclinations, and everyday needs, the Bank of Albania thinks that the implementation on a large scale of these systems will help to increase the efficiency and its general institutional development.

In this view, during 2000, the Bank of Albania reorganised the responsible units for implementing information systems, aiming at supporting the projects with structures and specialists, and the communication quality between other units of the Bank of Albania and that of Information Technology. On the other hand, it has focused its attention on accomplishing two primary and very important projects: implementation of accounting system within the central bank and an RTGS.

6.3.1. ORGANIZATIONAL DEVELOPMENTS.

Organisational changes conducted in 2000, as well as the re-division of units' tasks and functions and those of each individual within Information Technology Unit are thought to be supporting factors in:

1) Successfully accomplishing the projects currently undertaken, 2) increasing the supporting degree that Information Technology provides to other units of the Bank of Albania, 3) ensuring continuity of fulfilling the objectives in the future, 4) providing close training of the staff and their appropriate positioning.

In no case can it be thought that the developments within the department are sufficient for the accomplishment of its duties. In order to reach the targets in the field of information technology, other units of the Bank of Albania, which get the benefit of using these systems, should contribute as well.

Assessing the co-operation within the institution as of great importance, during the year 2000, good work has been done concerning real inclusion of other Bank of Albania units either in compiling the strategy of information technology or in accomplishing the projects of this area. More concretely, good work has been done for setting up a Committee of Information Technology Strategy Development. Its primary task is to determine a development strategy in line with the institution development.

6.3.2. MAIN PROJECTS IN THE FIELD OF INFORMATION TECHNOLOGY.

Projects on Implementing Accounting System and an RTGS to the Central Bank

The Bank of Albania has its primary short-term target to establish a payment system in high value (an RTGS system) as well as an accounting system and management of foreign currency reserve and its financial activity.

In order to realise these two projects, following a number of IMF recommendations, as well as the technical assistance of foreign experts in these fields, the Bank of Albania has prepared a detailed document on “business requirements” for both information systems. The above documents have received the relevant approval by IMF and later on they have been subject to further technical –financial assistance for improvement by World Bank.

The system of payments in high value (RTGS) will consist in:

1. Adjusting in real time between the participants of this system through their bank accounts;
2. Offering instruments and means for enhancing management efficiency of participants' liquidity;
3. Improving tools in administration and monetary policy supervision;
4. Implementing a high degree of accountability, safety and integration, able to cope with the increasing needs of Albanian economy;
5. Developing the communicating infrastructure of Albanian banking system;
6. Realising supporting infrastructure for further advancements in this field.

This project's implementation is required to be conducted in accordance with the best international practices and should be based on the following principles:

1. Flexibility and modularity, for making possible the following development and maximum integrity with other sub-systems;
2. High degree of security and integrity;
3. High consistency and accountability;
4. Complete tracing on all transactions and their consequence.

The application of these business requirements is performed also by co-operating with and involving banks, which shall participate and profit from its services.

The implementation of accounting system, foreign reserve management and other financial functions of the BoA consist in:

1. Automation of the process;
2. Implementation of international accounting standards pursuing the best international practices in compiling the accounting policies and procedures for central banks;
3. Improvement and development of tools and procedures for foreign reserve management and market interventions;
4. Constant and real time relationship with the Bank of Albania branches in the districts;
5. Establishment of an automatic inter-page with an RTGS system;
6. Accounting information quality and availability enhancement.

Given the importance of the two above projects and its impact not only on the bank's activity, but also on the entire banking system and on overall Albanian economy, their implementation shall be carried out with the financial –technical assistance of the World Bank. The funding of the projects takes part in the new project of "Technical assistance on financial sector institutional building" approved in June 2000.

During the year 2000, the further steps to be followed towards finalising the projects were also set forth. In order to realise a better asset management as well as considering the scale of systems' dependence, their implementation is thought as separate, where the priority will be shown to the accounting one.

IDCN system

During the year 2000, good work is also done for realising inter-bank communication network. The purpose of this project is to realise system communication based on "Internet technology". Banks and other participants of the system will be able to exchange information rapidly and safely with the Bank of Albania and among them, through this standard communication tool which is based on a high security level.

The realisation will be modular and will initially offer the on-line and real-time communication service, publication possibility by the participants, their quotations for different financial instruments, the sending of the requests for participation to Repo auctions –reverse Repo organised by the Bank of Albania, etc. Application in a modular form and with maximum independence between the services would make possible the further extension of this system's services. Particularly, it is thought that a new electronic system of the banks' reporting to the Bank of Albania be realised in a second phase.

The establishment of the link of the first customers to the system is considered to start in the first half of 2001 and the link of all participants is thought to finalise in the following quarter.