MEDIUM-TERM DEVELOPMENT PLAN OF THE BANK OF ALBANIA FOR 2009 – 2011
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ABBREVIATIONS

AD   ADMINISTRATION DEPARTMENT

AFD  ACCOUNTING AND FINANCE DEPARTMENT

FREICD  FOREIGN RELATIONS, EUROPEAN INTEGRATION AND COMMUNICATION DEPARTMENT

IAD  INTERNAL AUDIT DEPARTMENT

ID  ISSUE DEPARTMENT

INSTAT  INSTITUTE OF STATISTICS

ITD  INFORMATION TECHNOLOGY DEPARTMENT

HRD  HUMAN RESOURCES DEPARTMENT

LD  LEGAL DEPARTMENT

MOD  MONETARY OPERATIONS DEPARTMENT

MPD  MONETARY POLICY DEPARTMENT

MPIC  MONETARY POLICY IMPLEMENTATION COMMITTEE

PSD  PAYMENT SYSTEM DEPARTMENT

RD  RESEARCH DEPARTMENT

STD  STATISTICS DEPARTMENT

SD  SUPERVISION DEPARTMENT

SPD  SECURITY AND PROTECTION DEPARTMENT

FSD  FINANCIAL STABILITY DEPARTMENT
1. GOVERNOR’S MESSAGE

The new medium-term plan “The future: pathways and challenges ahead” charts the Bank of Albania’s course for 2009 – 2011. This new development strategy of our institution is built on the considerable achievement of objectives stemming from the 2006 – 2008 strategic document. Moreover, it sets out an ambitious agenda for the next planning period.

The document synthesizes a considerable work of all Bank of Albania’s units. It has embodied a great intellectual, scientific and visionary contribution. This document is built upon institutional inheritance and best practices of European central banks and other international institutions.

Our devise for 2009 – 2011, in few words, is: rapid institutional, legal and regulatory approximation with the European System of Central Banks. Efforts to meet this major challenge will affect each of the Bank’s core functions - monetary policy, banking system, payment infrastructure, currency and corporate administration.

For the period ahead we will strive to achieve the major objective springing from the Law “On the Bank of Albania”, i.e., consumer price stability. ” The priority areas of our work are: ensure financial stability of the banking system and efficient operation of the payment system, in all its elements.

We remain committed to:

- ensuring consumer price stability over the medium term - around 3 percent - chiefly by anchoring inflationary expectations;
- guaranteeing smooth functioning and soundness of the banking system at home;
- encouraging further deepening of financial intermediation in the economy;
- developing money market in all its components;
- enhancing corporate transparency, constantly adopting most updated communication and public education practices;
- advancing our culture of knowledge sharing;
• attracting and retaining quality staff;
• strengthening administrative capacities and security plans;
• ensuring a more suitable structure of cash in the hands of the people, raising vigilance against counterfeiting.

The meeting of these commitments would further consolidate the public confidence in the Bank of Albania. This credibility enhancement would raise, in turn, the real independence of the institution.

The strategic plan for the period ahead is a joint effort of all the Bank’s staff and departments. Therefore, I would like to thank everyone, feeling confident that their commitment and seriousness represent one of the most precious values of our institution.

Ardian Fujtimi
2. The Bank's Compass
Over the course of 2009 – 2011, the Bank of Albania’s compass will point to rapid approximation with the ESCB standards.

Over the next three years, the Bank of Albania remains committed to consolidating the so-far achievements, further deepening the undertaken reforms, thus playing an important role in promoting the economic and financial welfare of Albania.

2.1. THE BANK’S COMMITMENT TO THE PUBLIC

Over the next three years, the Bank of Albania will strive to:

• design and implement monetary policies that ensure price stability and foster confidence in the domestic currency;
• develop, promote and supervise safety and efficiency of Albania’s banking system;
• supply quality banknotes and coins;
• manage efficiently and transparently the whole financial activity of the institution;
• communicate our objectives openly and stand accountable for our actions.

2.2. THE BANK’S COMMITMENT TO EXCELLENCE

Building on our strengths, we aim to meet our commitment to the public, through an activity based on best central banking standards and practices.

We strive for excellence through intensive research and analysis, through partnerships within the Bank and with international counterparties and other domestic and foreign agencies.

To this end, the Bank of Albania strives to promote:
• innovation in everyday work;
• leadership and other incentives that spur on to success;
• integrity in business and in decision-making;
• diversity of people and ideas.

2.3. COMMITMENT TO ONE-ANOTHER

The Bank of Albania will continue to be an institution that aims to attract quality staff. To this end, we aim to achieve our best in a workplace, where we:

• communicate clearly and openly;
• share knowledge and experience;
• develop talents and careers;
• recognize merit and respect one-another for what we do inside and outside work.
3.1. INSTITUTIONAL EXCELLENCE

The Bank of Albania will continue the work for further consolidating its institutional framework. Credibility enhancement remains the final goal for the next three years. Therefore, special emphasis will be laid to inter-institutional relations, particularly with the Parliament of the Republic of Albania and other state agents, including the Albanian executive. The ambition to strengthen its independence requires, above all, consolidation of its alliance with the broad public. To this end, further enhancement of transparency and accountability is deemed as fundamental. Communication with the public and market agents in particular will be further enhanced, adopting best international practices.
3.2. INFRASTRUCTURAL PROJECTS

Several investments in infrastructure are planned as necessary for the Bank of Albania to carry out its activity over the medium term. Investments to simplify and standardize Bank of Albania’s daily activity and significant improvement of staff working conditions constitute the main motivation. Current conditions leave much to be desired, due to passing by of several decades without any essential improvement.

Bank of Albania’s premises
• After the completion of the project for upgrading some of Bank of Albania’s branches, the modernisation of Bank’s headquarters is planned to start in 2009. Along with upgrading the existing building, a new building will be constructed, to better meet the current and future needs.
• Working conditions improvement will be further extended by setting-up a new centre for processing bank notes and coins, while the current activity dynamics has made necessary the purchasing of new premises.

Statistical data
Enhancement of analysing and forecasting capacities of the Bank of Albania has raised the need for more statistical information, in terms of both, the quantity and the frequency of publication. To this end, the Bank of Albania will play a proactive role and collaborate with all relevant institutions in promoting the national statistics development.

Parallel to that, the Bank of Albania will work for setting up and publishing qualitative indicators to assess the economy performance, financial markets and economic agents’ expectations, mainly through surveys.

Legal base
• During the medium-term plan period, the work will be focused on improving the legal framework that regulates Bank of Albania’s activity, with the compass pointing to standards and legislation of the European Union and the European Central Bank.
• The Bank of Albania will be active in improving the law regulating the Deposit Insurance Agency’s activity, while the overall regulatory base of activity and oversight of the banking system and non-bank financial institutions will continue to be subject to constant changes.
New information technology systems

• Information technology aims at further simplifying several work processes, while further increase of systems’ safety remains a top priority, particularly in the context of transferring the Bank of Albania’s business to other premises.
• Setting up and putting into operation the Monetary Operations Management System remains one of the major objectives. As much important are a number of other projects, highlighting the establishment of an authorised reporting system.
3.3. WORK ENVIRONMENT EXCELLENCE

Investment in human capacities remains one of our key priorities. Therefore, our policies on human resources aim at a better stratification between manager-employee levels. In particular, we aim to:

- enhance managerial skills;
- increase capability to make proper choices and priorities;
- raise drafting and implementing capacities of operational plans.

To achieve these goals, it is important to invest in manager and leadership development, knowledge-sharing, recognition and initiatives. These are the main premises to recruit high-quality and dedicated staff.

3.4. FINANCIAL PLAN

Budget drafting and implementation for an effective and transparent management of the overall financial activity of the institution is the Bank’s medium-term objective in this area. To this end, during the period ahead, much work will be done to achieve the following objectives:

- Enhance cost centre independence;
- Set budget by activities;
- Standardize budget holding procedures.

These objectives will be achieved by:

- improving the existing regulation on drafting and attending the budget;
- improving the existing regulations on specific indicators of the financial plan, such as fixed assets, staff loans, pension fund;
- strengthening the cooperation with cost centres;
- improving the existing structure responsible for drafting and attending the budget.
CORE FUNCTIONS OF THE BANK OF ALBANIA
4. CORE FUNCTIONS OF THE BANK OF ALBANIA

4.1. MONETARY POLICY


While price stability may be regarded as already achieved, the Bank’s monetary policy will be oriented towards maintaining this stability over 2009-2011.

Maintaining price stability and economic development in accordance with its potentials, in the context of increasing exposure to global market, constant development of economic agents and financial market sophistication constitute the challenges that the monetary policy will face during this period.

Monetary policy function is supported, inter alia, by economic and financial statistics, as well as by researches and models that analyse the economy’s performance and strive to predict its future developments.

Desired outcome

Through its monetary policy stance, the Bank of Albania aims to maintain price stability in the country, thus contributing to consolidating macroeconomic balances, creating appropriate conditions for long-term economic growth, raising living standards and assisting in the banking system stability.

Strategy to achieve desired outcome

Price stability is achieved through maintaining low-but-positive inflation rates for a relatively long period of time. This signifies explicit specification and announcement in quantitative terms of inflation target of the Bank of Albania and taking of proper political and operational measures for achieving it.

Objective

- Maintaining a 3 percent target for inflation, with a tolerance band of +/-1 percentage point is the core objective of monetary policy.
• The quantitative inflation target for 2009-2011 will continue to be expressed with the annual change of consumer price index, measured and published by INSTAT.
• To achieve the price stability objective, the optimal monetary policy framework will be adopted, under the circumstances of a free floating exchange rate regime. Regarding inflation targeting as the best monetary policy alternative, the Bank of Albania is working intensively for implementing it formally.

Instruments
• The Bank of Albania will continue to be based on market instruments to achieve its monetary policy objective.
• The weekly interest rate of repurchase and reverse repurchase agreements is the main instrument to be employed for transmitting monetary policy signals.

Priorities
• Increase the integration of monetary policy with the fiscal one, constantly exchanging information and economic analyses at technical level. At political level, the Bank of Albania will insist in adopting a fiscal rule that supports and helps achieve Bank of Albania’s inflation target, positively influencing the country’s economic development.
• Improve further the legal, technical and operational base, to promote trade and competition in the interbank market.
• Enhance research on the Bank’s priority areas. These researches should guide the strategic decision-making of the Bank of Albania in long-term choices of monetary policy regimes, inflation target and framework of instruments that will be employed for achieving them. Also, they should support the political and operational decision-making in determining the monetary policy stance and in using instruments to transmit them to the economy.
• Improve analytical and forecasting models, contributing directly to enhancing their reliability, the decision-making quality and the monetary policy effectiveness in the economy.
• Adapt the time frame of inflation target achievement to duration of transmission mechanism operation, which is constantly improving.
• Develop information base used in decision-making.
• Enhance Bank’s communication with the public.

Performance Measures
• Achieve the target for consumer price index inflation on an annual basis.
• Anchor public expectations regarding inflation around Bank of Albania’s
target and curtail risk premiums on our national currency.

• Assess effectiveness and quality of analyses and research.

**Business-line Activities**

**Analysis, projection and research activities**

**Objectives**

• Assess the economic situation and outlook, including uncertainty and risks, to obtain information that contributes to monetary policy decision-making.
• Integrate analysis and research to inform monetary policy decisions and choose monetary policy framework.
• Enhance effectiveness of monetary policy decisions, by avoiding decision-making errors and transmitting the decisions efficiently to financial markets.

**Core Activities**

• Analyse domestic and international economic and financial developments. Conduct researches related to important monetary policy issues.
• Analyse monetary conditions appropriateness in view of price stability target and take corrective measures in case of deviation.
• Communicate transparently with economic agents and financial markets on current and future monetary policy stance.

**New Initiatives**

• Expand the range of information used in decision-making.
• Enhance analytic capabilities to improve the economic analysis in line with the economy and financial market developments.
• Enhance efficiency of monetary policy transmission mechanism and in particular, develop the interbank market.

**Communication Activities**

**Objective**

• Support the conduct of monetary policy through effective communication.

**Core Activities**

• Communicate the reasons for the Bank’s monetary policy decisions in a clear, open, and timely way.
• Pursue an ongoing dialogue with the public to enhance knowledge of monetary policy; build public awareness of the importance of maintaining price stability and foster an ever-larger social support for Bank of Albania’s goal of inflation.
• Communicate with other stakeholders to ensure effective implementation of monetary policy decisions.
• Enhance transparency.

New Initiatives
• Use a larger spectre of communication tools.
• Foster Bank of Albania’s contribution to enhance the economic and financial knowledge of the public.
4.2. STATISTICS

The main purpose of statistics produced by the Bank of Albania is to uphold Bank of Albania’s monetary policy and other tasks of this institution. The statistics categorised in monetary and financial statistics, and foreign sector statistics are made available to all Albanian and foreign users through Bank of Albania’s publications according to adopted formats and schedule. An ongoing challenge of the Bank of Albania in its role as a statistical agency lies in improving standards and statistics production methodology, aiming at approximating them with international standards.

Strategy to achieve desired outcome

Medium-term objective

The medium-term objective of the Bank of Albania, in its role as a statistical agency is the qualitative and quantitative improvement of statistics it produces, in view of informing and supporting the decision-making of all interested economic agents. Enhancing transparency in communication and data dissemination and respective methodologies is another objective the Bank of Albania intends to accomplish in the future.

Strategy

The strategy to achieve the desired outcome is based on expanding human and technological capacities, and enhancing efficiency of using the resources. Future efforts will aim at a better and complete implementation of core principles specified in the European Statistics Code of Practice.

Priorities

- Improve the legal base in accordance with the Bank of Albania’s role as a statistical agency.
- Expand the coverage base of reporting units in accordance with international practices.
- Improve the reporting process in terms of content, computation and strengthening of information quality control criteria.
- Improve the methodological framework, signifying adopt new standards and implement rigorously the existing data processing and reporting standards.
- Improve the published statistical information in terms of detailing the
existing indicators, adding new indicators and improving publication terms.

**Business-Line Activities**
Core activities in terms of qualitative and quantitative improvement of Bank of Albania’s statistics will be:

- Invest in upgrading technology to improve information gathering, control and processing.
- Educate and train human resources constantly at work and in specific qualification programs, to acquire updated methodologies and best practices in statistics production, dissemination and usage worldwide.
- Carry out different activities to exchange experience and share values with statistics-producing institutions and users.
4.3. RESEARCH

Research at the Bank of Albania underwent constant growth in both components, qualitative and quantitative ones. Recently its direct contribution to enhancing decision-making process and better research on causality among various indicators, including monetary policy decision-making effects on the economy has increased.

Desired Outcome

The Bank of Albania aims to use scientific activity in economics, as a means of:

- building and maintaining econometric models for economic forecasts and for comparing different policy effects;
- supporting current decision-making process;
- gradually creating grounds for a more certain forecasting of macroeconomic, financial and other situations;
- raising the prestige of the Bank of Albania to the public opinion and counterparties, as an active institution in developing scientific research in economics;
- enhancing the Bank of Albania’s credibility as an institution guaranteeing the country’s macroeconomic balances.

Strategies to achieve desired outcome

Desired Outcome

- Conduct scientific research on areas of interest for the Bank of Albania, contributing to Albanian economy recognition in the region and beyond and to economic, social and political processes that affect it.
- Integrate economic research and analyses to advise and assist Bank of Albania’s decision-making on its core functions - monetary policy, financial stability and financial market regulation.

Priorities

The above goals will be accomplished through:

- adjustment of Bank of Albania’s research structure to enable the effective achievement of objectives;
• empirical study of economy, according to following priorities:
  
  • Conduct qualitative research in applied economics, to assess the hypotheses raised from economic analyses in:
    - monetary policy and transmission mechanism (focusing on macroeconomic modelling, explanation of monetary phenomena and monetary policy strategy);
    - external sector (focusing on exchange rate);
    - fiscal sector (focusing on fiscal sector’s modelling);
    - financial market evolution and stability (focusing on financial stability modelling and markets organisation);
    - economic growth and business cycle (focusing on business cycle assessment, productivity and labour market).

  • Publish these researches in well-known scientific magazines.
  • Raise scientific collaboration with counterparties and academic institutions at home and abroad;
  • Conduct researches and achieve professional skills in applied economics research methodology, as follows:
    • State Space models;
    • Dynamic Stochastic General Equilibrium Models;
    • Bayesian Vector Autoregressive Models.

Business-line Activities

Objectives
• Organise joint activities and works with qualified institutions in economic research areas.
• Carry out “Friday seminar”.
• Organise “Researches on South-east Europe” activity.
• Share knowledge gathered from research and scientific process in the form of training.

New Initiatives
• Establish the Institute of Economic and Banking Research
4.4. FINANCIAL STABILITY

Central banks play an important role in achieving and maintaining financial system stability, but this role is not exclusive. The importance of the objective and the variety and complexity of interwoven issues require harmonization of efforts with other institutions, highlighting supervisory authorities of banking and non-banking financial institutions and deposit insurance agencies. Other institutions incorporated in this framework are those that oversee competition performance in the financial market and those that promote adoption of various standards and check their implementation. In the context of financial markets openness and integration, authorities of different countries have found it reasonable to extend this cooperation internationally.

Besides the primary target to achieve and maintain price stability, the Law on the Bank of Albania, No. 8269, dated 23.12.1997 (amended), sanctions the responsibility of the Bank of Albania to license and supervise the banking activity, promoting the payment system functioning and oversight, providing the market with liquidity in the role of the lender of last resort and informing the public on nature and type of threats to stability of the financial system.

In this framework, Bank of Albania’s role in terms of promoting and maintaining financial system stability aims at setting up sound financial institutions that operate in the competitive financial market and with a developed and safe infrastructure with mechanisms that promote effective management of financial resources and risks on the side of investors.

Desired outcome

During 2009-2011, the core objective of the Financial Stability Department is improving the procedures for assessing risks related to financial system stability and setting-up a complete framework of internal operations of the Bank of Albania for managing situations posing systemic risk to the banking sector and the financial system.

STRATEGY BY DEPARTMENTS

Financial Stability Department

To accomplish the objective, the Financial Stability Department aims to improve the quality and quantity of its products for internal use and for the public at large,
by developing staff expertise and technical capacities, as well as by cooperating with other institutions.

Concerning development of its products, the Financial Stability Department aims to:

• build the financial stability risks map and create a clear procedure for reviewing it along the time – within the first six months of 2010;
• set-up and conduct surveys to recognize debt exposure of the real sector of the economy (enterprises and households) – till end of 2010;
• strengthen the Department’s analysis on payment system and stress-tests to assess financial system stability – until end 2010;
• enhance analysis on non-bank financial sector - until end 2011;
• pass on to preparation and publication of Financial Stability Report twice a year (In April and October/November). Its summary will display Financial Stability Statement – starting with the financial developments of 2010;
• design a complete framework of internal procedures and actions for issues related to situations posing systemic risk to financial system and the banking sector - until end 2011.

To accomplish the above goal, the Financial Stability Department will pay attention to adjustment of the Department’s structure, development of staff expertise and its support with the necessary technological infrastructure. In this regard the adjustment of the Department’s structure, the staff expertise and technical infrastructure will be assessed within 2010 to present relevant proposals about:

• making regulatory changes to enable:
  • staff expertise;
  • increase of staff number, if necessary;
  • applying for trainings in certain areas;
  • developing at the Bank of Albania or purchase various software that enable data obtaining and information processing, in view of preparing different assessment and forecasting models;
  • increasing financial evaluation and other benefits, pursuant to Bank’s respective regulations.

In the framework of cooperating with other institutions, the Financial Stability Department aims to:

• find and exchange effective information and data with the Financial Supervision Authority, the Institute of Statistics, representatives of banking industry and other economic entities, particularly in terms of assessing the performance of non-bank financial sector, and distinguishing and
evaluating the size of debt exposure of enterprises and families;
• if necessary, participate in implementation of joint projects with above-
  mentioned institutions, to improve the procedures for collecting, processing
  and interpreting information needed to achieve the Department’s goals;
• establish a more effective cooperation with central banks of developed
  countries and with specialised international institutions. Cooperation with
  these institutions will be oriented particularly to the following directions:
  • Improvement of stress-test and scenarios analyses to assess financial
    system stability;
  • Enhancement of capacities and methodologies to assess the stability of
    financial system infrastructure and mainly of the payment systems;
  • Improvement and completion of operational framework of the Bank of
    Albania, management of situations posing systemic risk to the financial
    system stability.

Supervision Department
During 2009-2011 the Supervision Department aims to orient its supervisory
activity towards risk-based supervision standards and respective European
directives, so that the banking activity in our country develops safely and the
banking sector carries out soundly the financial intermediation process, with
benefits to the banking industry and the public availing from its services.

Outcome Goals by Functions
Licensing and regulatory function aims to:

• review the licensing policy on the basis of current and expected conditions
  of the financial and banking system;
• revaluate the licensing procedures to speed up and simplify them,
  particularly the ones related to non-bank financial activity;
• make necessary regulatory changes, pursuant to the Law “On Banks
  in the Republic of Albania” (hereinafter referred to as the banking law)
  and in view of approximation with the European Union Directives and
  international standards for an effective supervision. Regulatory changes will
  be made keeping in focus the analysis of environment, risks and measures
  to consequently continue the prudential stance. Below are provided several
  pillars from the viewpoint of supervision, preserving the flexibility to address
  potential risks and developments in real time:
  • Review the regulatory framework over the medium term - pursuant to
    the banking law - aiming, in particular, to complete the framework of
    regulating the conservatorship and liquidation process of banks;
  • Review the regulations, in which IFRSs will provide effects mainly on
    prudential indicators (provisioning, tradable securities, etc.), including
qualitative conceptions;
• Implement the New Capital Accord or Basle II (pillar I), relating to credit risk re-conception and assessment of its effects on bank capital adequacy, including also the presentation of an additional capital requirement to monitor operational risk – drafting initially a strategy for implementing Basle II and legal spaces and capacities for implementation;
• Implement appropriate infrastructure to ensure a sound financial and banking activity, contributing to macroeconomic developments and financial stability, and to exercise a more effective supervision in view of maintaining the financial stability.

Off-site analysis function aims to:
• revaluate stress-test methodology;
• expand information and analyses;
• change the framework of requirements that define the entities’ reporting;
• create an on-line reporting system, which will improve significantly the reporting quantity, quality and time, and will create necessary flexibility to reflect changes that may arise in reporting in a short period of time.

Credit registry aims to:
• provide accurate data and evidence the usage of register by banks;
• conduct analyses, for the effect of banking supervision, on the basis of real time data of the register;
• expand the register users with non-bank entities.

Supervisory function aims to:
• develop risk-based supervision process; In this framework, operational policy document of supervision will be reviewed;
• collaborate with other supervisory authorities within the country and internationally;
• re-assess the Manual on corrective measures;
• specify crisis management procedures;
• oversee constantly the process of banks’ transparency.

Payment system Department
During 2009-2011 the Payment System Department aims at strengthening payment system oversight, carrying out necessary improvements in technological infrastructure and the spectre of using these systems in collaboration with other departments, as well as enhancing Bank of Albania’s contribution to promoting modern payment methods in our country.
To achieve this mission, the Payment System Department aims at meeting the following objectives over the medium term:

• Improve the structure and role of the National Payment Committee through the following actions:
  • Review the regulatory base of the functioning of the National Payment Committee in accordance with the best international standards;
  • Expand the Committee’s composition to be more comprehensive, not only with participant banks, but also with other actors that affect national improvement of the payment services, such as card processing operators, telephone services operators, public administration participants, etc;
  • Coordinate work with banks for IBAN implementation and Albanian IBAN recognition from respective international institutions.

• Strengthen payment system oversight function, by means of the following actions:
  • Complete legal/regulatory base (draft a law on payment and settlement systems in Albania, a regulation on system oversight, a regulation on payment instruments, etc);
  • Create proper human resources capacities for carrying out this function, to license and supervise entities providing payment services;
  • Meet Bank’s obligations pursuant to core principles on systemically important payment systems.

• Enhance Bank of Albania’s role as a catalyst for the payment system, by means of the following actions:
  • Encourage interbank market in order to approximate and integrate new payment services and improve the existing infrastructure;
  • Create proper infrastructure and adapt payment instruments from the regulatory and technical viewpoint, adhering to rules and principles of payment instrument functions in the framework of SEPA project.

• Improve infrastructure of securities safety, recording and settlement through the following actions:
  • Coordinate with securities register operation to implement one of core principles of the payment system - Delivery Versus Payment (cooperating with the Monetary Operations Department);
  • Collaborate with institutions responsible for securities market (Financial Supervision Authority, Ministry of Finance, Securities Commission)
related to oversight of entities providing services of securities transactions settlement.

• Enhance transparency to the public by carrying out the following actions:

  • Publish reports on assessing the systems in accordance with international payment system principles;
  • Process and publish periodically data on payment instrument indicators;
  • Publish a book on the payment system according to international ‘Red Book’ standards.

To achieve its mission, the Payment System Department will pursue the best principles of cooperation with other departments of the Bank, as well as with representatives of other public and banking industry institutions, which play a role in the framework of construction, implementation and strengthening of the regulatory and technical requirements for upgrading payment and settlement systems in our country.
4.5. CURRENCY

RESPONSIBILITY
The Bank of Albania is the sole issuer of Albanian banknotes and coins. It is responsible for their design, security features, production and distribution. It is also responsible for the replacement of those that are old or worn. The Bank of Albania is also engaged in counterfeit deterrence through bank-note related education, communication and compliance.

TRENDS AND CHALLENGES
The demand for banknotes and coins is expected to continue to grow, even though alternatives to cash are becoming more popular. The quality of notes in circulation does not meet the required standards. There still continue to circulate banknotes of the same denomination but of different designs and dimensions. Such a thing causes confusion to the public and adds the work at the processing processes by commercial banks and respective units of the Bank of Albania. Public awareness of security elements of Albanian banknotes is still low.

Desired outcome
Bank notes and coins in circulation should meet updated international standards. At start 2011, no banknotes of different designs for same denomination (1000 lek and 500 lek banknotes issued prior to 1996) should circulate.

Strategy to achieve desired outcome
Reduce worn notes in circulation, by putting a clearly defined threshold for classifying as appropriate for recirculation banknotes processed in the sorting systems currently used by the Bank of Albania.

Priorities
• Replace notes from older series (issued prior to 1996) with new notes of later issues.

Performance measures

Research and development

Objective
• Develop a program to ensure accurate information on the quality of notes in circulation and enable replacement of those issued prior to 1996.
New Initiatives
• Issue Department structure will incorporate a specific unit to deal with Albanian bank-note printing and re-printing, and analyse counterfeit notes (National Analysis Centre).
• Conduct research to better understand bank note usage, counterfeiting and alternative payment methods and new technologies.
• Build an automated reporting system, taking as a reference the analogous system of the European Central Bank.

Communication

Objective
• Instil public confidence in Albanian banknotes through specific programs for introduction of security features.

New Initiatives
• Publicise bank note legal tender status (notes in circulation and notes enacted to be withdrawn from circulation).

Legitimacy

Objective
• Complete the legal basis that regulates the whole activity of cash in the Republic of Albania, converging towards European Central Bank’s legislation.

New Initiatives
• Adjust and update the legal framework related to recycling of Albanian banknotes and their classification.

Operations and Distribution

Objective
• Improve bank note processing efficiency.

Core activity
• Manage bank note and coin inventories and distribution.
• Analyse bank note and coin circulation and strategies related to withdrawal of older-series of notes and coins.
**New initiatives**
- Replace current computer software with a new updated one, which will manage bank notes and coins in real time in the whole system of the Bank of Albania.
- Upgrade note processing technology in cooperation with the establishment of a new cash centre, applying an automotive sorting, packing and shredding system.

**Risk management**
- Work closely with police and other partners in counterfeiting deterrence.
- Monitor counterfeiting threats.
- Monitor the use of alternative means of payment.
LIGJ
Në. 9662, datë 18.12.2006
Për Bankat
Republikën e Shqipërisë
4.6. GOVERNANCE AND LEGAL SERVICE

OBJECTIVE
We aim to provide guidance to policies, programs, and services that enable good governance and effective management of resources across Bank functions.

Core activities
Governance objective at the Bank of Albania is achieved through the following activities:

Provide expert advice and services to staff, administrators and the Supervisory Council of the Bank of Albania to enhance risk management, internal controls, and the corporate governance framework.

Bank of Albania’s decision-making bodies, such as the Supervisory Council or administrators, having the authority to approve all regulations issued by the Bank of Albania, pursuant to the organic law of the Bank of Albania or the Law on Banks in the Republic of Albania, determine basic regulatory standards based on the legal advice provided by the Legal Department of the Bank of Albania.

Applied Methods
• Verify legitimacy and prevent violations in Bank’s activity.
• Ensure and enhance legal quality of juridical acts.
• Safeguard the juridical status of the Bank of Albania.

Impacting Factors
• Preventing deficiencies in the existing legal framework and projecting establishment of new elements, in accordance with the financial system developments in general and the banking one in particular.
• Creating possibilities for accurate and complete implementation of this legal framework in the entire activity of the Bank of Albania.

Monitoring external trend changes and development of legislative policies enabling best practices to Bank’s governance.

Adapting to latest developments of updated legislative policies, to European Union juridical acts and best international standards and practices of the area, is the proper way to enhance Bank governance.
**Applied Methods**

- Approximate Bank’s laws and by-laws with the European Union directives and international standards according to relevant areas, in the framework of approximating our legislation with that of the European Union and the European Central Bank.
- Strengthen Bank’s juridical initiative in terms of negotiating and drafting the necessary legal and regulatory framework for the banking and financial system, giving priority to the cooperation and interaction with other domestic and foreign banks and units.

**Impacting Factors**

- Entire completion and improvement of Bank of Albania’s legal framework, based on updated international standards, having European Central Bank standards as a goal.
- Sensitiveness to changes that juridical developments undergo and best practices in this area.

**Enhancement of efficiency of juridical services and programs that support Bank’s goals.**

The legal service development plan of the Bank of Albania aims to raise the authority and position accurately the Bank’s legal unit, in accordance with updated developments in the banking and financial systems. Efficiency enhancement of the Bank’s legal services is a necessary condition for development and adjustment to best standards.

**Applied Methods**

- Clarification and accuracy of concrete targets and goals of the juridical service within the legal framework on which this service is based.
- Transparency enhancement in carrying out the legal services.

**Impacting Factors**

- Legal services quality by choosing appropriate way and tools to achieve the goal;
- Performance enhancement.

**New initiatives**

Setting medium-term goals and objectives of the legal framework of the Bank of Albania is necessarily related to coherent developments of the overall activity of the Bank of Albania at present and in the future.
Efforts for completing the whole regulatory framework will continue intensively, opening the way to other technical and institutional changes in the Albanian banking system.

Strengthening institutional independence and credibility of the Bank of Albania is an important initiative to enhance its governance as a central institution, responsible for its mission assigned by law.

Applied Methods

- **Strengthening legal and regulatory base**

  Strengthening legal and regulatory base is one of the most important strategic objectives of the Bank’s legal service, to guarantee successful achievement of the Bank’s goals.

  The Law “On the Bank of Albania” should be changed in the strategic medium-term framework and in accordance with the National Plan on the Approximation of Legislation with that of the European Union and the implementation of the Stabilization and Association Agreement. The need to change the Law on the Bank of Albania arises from the inevitable requirement for approximating the provisions of this Law with the Acquis Communautaire and the European Union legislation.

  The Bank’s Statute is an important act, which specifies corporate administration policies defined in the organic law of the Bank of Albania. To enhance the Bank of Albania’s governance, the need for reviewing the Statute provisions arises, aiming at improving the procedures of operational and administrative actions.

- **Enhance risk management**

  Enhancing risk management in general and legal risk in particular is one of the key factors to achieve medium-term objectives of the Bank of Albania’s legal framework. Operational-risk management policies of the Bank of Albania will be closely monitored and in consistency with best standards and practices. Legal service at the Bank of Albania will ensure that this institution always operates on a sound legal base and the legal risk is adequately identified and monitored.

Impacting factors

- Legal risk identification and analysis;
- Improvement and development of the Bank’s regulatory framework on risk management;
- Proposal of risk management measures and terms in accordance to the Bank’s developments
4.7. HUMAN RESOURCES

OBJECTIVE
It is aimed at strengthening the administrative capacities of human resources to support achievement of the Bank’s strategic objectives. In this area, the Bank of Albania’s objective is:

• raise staff training and qualification level in all fields of the Bank’s operation;
• provide opportunities to further staff qualification in terms of academic level (scientific degrees), in accordance with their functions, tasks and qualification;
• orient the Bank of Albania towards an institution that has not only an administrative profile but also a scientific one.

Core activities
The above objectives will be accomplished by:
• carrying out Bank training, in cooperation with various domestic and foreign institutions, including academic ones, based on the needs identified in advance through a performance-based appraisal system, and adapting to new upward requirements of the institution;
• identifying “potential” employees in terms of career development and qualification and academic growth;
• preparing promotion policies to motivate staff to enhance research at the Bank.

New initiatives
Attainment of objectives for strengthening human resources requires development and reviewing of composite instruments. To this end, the following actions should be made:

• Review performance appraisal system towards responsibility individualization for every member to accomplish tasks and meet Bank of Albania’s objectives
• Develop new approaches and indicators to monitoring performance in terms of accomplishment of objectives specified in this strategy.

Applied methods
• Strengthening the regulatory base;
• Test and review constantly the methods and instruments.
### ANNEX

<table>
<thead>
<tr>
<th>FUNCTION</th>
<th>OBJECTIVE</th>
<th>INDICATOR</th>
<th>MEASURE</th>
<th>SCHEDULE</th>
<th>RESPONSIBLE UNIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monetary policy</td>
<td>Inflation target 3%, +/- 1</td>
<td>Inflation, inflation forecasting, real and monetary indicators impacting on it</td>
<td>Improve periodic analyses in view of monetary policy decisions</td>
<td>2009-2011</td>
<td>MPD, RD, MOD</td>
</tr>
<tr>
<td></td>
<td>Review and improve monetary policy framework</td>
<td>MP objectives, operational instruments, decision-making process</td>
<td>Review and adapt the MP’s final objective to macroeconomic situation of the country</td>
<td>2009-2011</td>
<td>MPD, RD, MOD</td>
</tr>
<tr>
<td></td>
<td>Develop and enhance financial market efficiency</td>
<td>Efficiency and competition in the system</td>
<td>Improve regulations on MP instruments and on supervision</td>
<td>2009-2011</td>
<td>MPD, RD, MOD, SD</td>
</tr>
<tr>
<td></td>
<td>Improve and develop forecasting models</td>
<td>Models</td>
<td>Improve the statistical parameters of models and increase their forecasting power</td>
<td>2009-2011</td>
<td>MPD, RD, MOD, STD</td>
</tr>
<tr>
<td>Issue Department</td>
<td>Set up a new reporting system on cash, in accordance with the ECB standards</td>
<td>n/a</td>
<td>Establish contacts and exchange experience with the ECB</td>
<td>Q 4, 2011</td>
<td>Issue Department</td>
</tr>
<tr>
<td></td>
<td>Adapt the legal base, to regulate cash circulation in compliance with ECB standards</td>
<td>n/a</td>
<td>Establish contacts and exchange experience with the ECB</td>
<td>Q 4, 2011</td>
<td>Issue Department</td>
</tr>
<tr>
<td></td>
<td>Replace banknotes issued prior to 1996</td>
<td>n/a</td>
<td>Re-print the existing series (already attained)</td>
<td>Q 4, 2010</td>
<td>Issue Department</td>
</tr>
<tr>
<td>FUNCTION</td>
<td>OBJECTIVE</td>
<td>INDICATOR</td>
<td>MEASURE</td>
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<tr>
<td>Payment</td>
<td>Strengthen payment system oversight</td>
<td>Further improvement of structure and role of the National Payment System Committee</td>
<td>Review the regulatory base on scope of the National Payment System Committee, in compliance with best international standards</td>
<td>Q 2, 2010</td>
<td>PSD LD</td>
</tr>
<tr>
<td></td>
<td>Carry out necessary improvements in technological infrastructure and the payment system usage spectre</td>
<td></td>
<td>Expand the Committee’s composition to be more comprehensive, not only with banks as participants, but also with other actors that would impact on improvement of payment services nationally</td>
<td>Q 4, 2010</td>
<td>PSD ITD</td>
</tr>
<tr>
<td></td>
<td>Enhance the Bank’s contribution to promoting modern payment methods in Albania</td>
<td></td>
<td>Coordinate work with banks for the implementation of Albanian IBAN and recognition of Albanian IBAN from international respective institutions</td>
<td>Q 4, 2009</td>
<td>PSD ITD MOD</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Strengthening of the payment system oversight function</td>
<td>Complete legal/ regulatory base</td>
<td>Q 4, 2011</td>
<td>PSD LD ITD MOD</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>Create proper human capacities for carrying out the function, aiming at licensing and supervising the entities that supply payment services</td>
<td>Q 4, 2011</td>
<td>PSD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Meet the Bank of Albania’s obligations, in compliance with core principles of systemically important payment systems</td>
<td>Q 4, 2010</td>
<td>PSD</td>
</tr>
<tr>
<td></td>
<td>Strengthening of the Bank of Albania’s role as a catalyst for payment system</td>
<td></td>
<td>Promote interbank market to approach and integrate new payment services, as well as improve the existing structures</td>
<td>Onward</td>
<td>PSD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Create necessary infrastructure and adjust payment instruments from the regulatory and technical viewpoint, in compliance with rules and principles of SEPA payment instruments</td>
<td>Onward</td>
<td>PSD</td>
</tr>
<tr>
<td>Improvement of securities maintenance, registration and settlement infrastructure</td>
<td>Coordinate between MOD and PSD for carrying out the function of securities registration to meet the DVP requirements</td>
<td>Onward</td>
<td>PSD, MOP, ITD</td>
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<tr>
<td>Strengthen the collaboration with securities market institutions, for oversight of systems and entities that provide securities maintenance and settlement transaction</td>
<td>Onward</td>
<td>PSD, MOD</td>
<td></td>
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</tr>
<tr>
<td>Enhancement of transparency to the public</td>
<td>Publish system assessment reports, in compliance with international payment system principles</td>
<td>Q 4, 2010</td>
<td>PSD</td>
<td></td>
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<tr>
<td>Periodically process and publish data on payment instrument indicators</td>
<td>Onward</td>
<td>PSD</td>
<td></td>
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</tr>
<tr>
<td>Publish a book on the payment system in accordance with international standards</td>
<td>Q 4, 2011</td>
<td>PSD in collaboration with the Bank’s other departments</td>
<td></td>
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<tr>
<td>FUNCTION</td>
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<td>INDICATOR</td>
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<tr>
<td>Financial stability</td>
<td>Improve risk assessment procedures on financial system stability</td>
<td>Enhancement of its products for internal use and publication</td>
<td>Set up a financial stability risk map and a clear procedure for reviewing it along the time</td>
<td>Q 2, 2010</td>
<td>FSD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Set up and conduct surveys to recognize debt exposure of the real sector of the economy (of enterprises and households)</td>
<td>Q 4, 2010</td>
<td>FSD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Strengthen the FSD analyses on issues related to payment systems and stress-tests, to assess the financial system stability</td>
<td>FSD</td>
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<td></td>
<td></td>
<td></td>
<td>Enhance analysis of the share of non-bank financial sector</td>
<td>Q 4, 2010</td>
<td>FSD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Prepare and publish the Financial Stability Report twice a year (on April and October/November), whose summary will represent the Financial Stability Report</td>
<td>Q 2, 2011</td>
<td>FSD</td>
</tr>
<tr>
<td>Development of staff expertise of the Financial Stability Department</td>
<td>Assess Department’s structure composition, and professional and technical capacities</td>
<td></td>
<td>Establish a complete framework of procedures and internal actions related to situations posing systemic risk to financial and banking systems</td>
<td>Q 4, 2011</td>
<td>FSD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Make regulatory changes to enable staff expertise and increase staff number, if necessary</td>
<td>2010 and onward</td>
<td>FSD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Apply for training courses in certain areas</td>
<td>Q 4, 2010</td>
<td>FSD</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>Develop at the Bank of Albania or purchase various software that enable obtaining of data and processing of information in view of preparing various assessment and forecasting models</td>
<td>Q 4, 2011</td>
<td>FSD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Enhance financial evaluation and other benefits, in accordance with relevant regulatory framework of the Bank of Albania</td>
<td>Onward</td>
<td>FSD</td>
</tr>
<tr>
<td>Strengthening of cooperation with new institutions</td>
<td>Exchange information and data efficiently with the Financial Supervision Authority, with the Institute of Statistics, with representatives of the banking industry and other economic entities, particularly in terms of assessing the non-bank financial sector’s performance and recognizing the corporate and household debt exposure size.</td>
<td></td>
<td></td>
<td>Onward</td>
<td>FSD</td>
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<tr>
<td></td>
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<td></td>
<td>Participate, if necessary, in the implementation of joint projects with the above institutions, to improve the procedures for collecting, processing and interpreting information regarded as necessary for attaining the FSD’s goals</td>
<td>Onward</td>
<td>FSD</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>Cooperate effectively with counterparties in other central banks of the developed countries and with specialised international institutions</td>
<td>Onward</td>
<td>FSD</td>
</tr>
<tr>
<td>FUNCTION</td>
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<td>RESPONSIBLE UNIT</td>
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</tbody>
</table>
| Supervision    | Orient the supervisory activity towards risk-based supervision standards and European directives | Risk-based supervision          | Establish and develop proper risk-based supervision methodologies. In this framework, the following actions will be carried out:  
• Draft manuals and new procedures for exercising risk-based supervision;  
• Review manuals and procedures at least once a year;  
• Further develop the CAMELS matrix;  
• Enhance the delegating level of tasks and responsibilities to portfolio management (inspectors responsible for banks’ portfolio) to define risk profile of banks in their jurisdiction;  
• Strengthen the examination process, with special focus on:  
  - preparatory stage of examination,  
  - raising the frequency of examinations on systemic banks,  
  - areas posing higher risk,  
  - analysing scenarios and using stress-tests to determine capital requirements,  
  - reconfiguration of examination reports, to highlight main conclusions and document the findings, thus creating the base for submitting supervisory measures.  
  - up-bottom examinations of risk management policies, through bottom-up application of risk management framework;  
• Develop probability of default and loss given default, for average loan in various portfolio segments, based on the Credit Registry data, as elements of internal centralised classification methods;  
• Develop the review practice and discuss examination results with the whole Supervision staff;  
• Strengthen the regulatory framework to address operational risk, as an area that requires great attention. | Onward    | SD                |
<p>| Implementation of European Union Directives | Make necessary improvement of the regulatory framework pursuant to the requirements of the Law “On Banks in the Republic of Albania” and in view of approximation with the European Union Directives and international standards for effective supervision | - | - | Onward | SD |</p>
<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Onward</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reorganisation of Supervision Department</td>
<td>Reorganise the department as soon as possible, since the current structure does not provide appropriate support to further developments of supervision. In this framework, drafting a reorganisation model aims at: • overcoming difficulties and deficiencies of the existing structure; • implementation efficiency; • due support to implement risk-based supervision; • coordinating at a high level the interaction of banking supervision functions.</td>
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<tr>
<td>Relations between Supervision Department, Financial Stability and Monetary Policy</td>
<td>The strategy underlines the need for strengthening the cooperation among departments. In this framework, Banking Supervision will help in terms of: • credit expansion or contraction; • required reserve management by modifying the regulatory framework; • partial examinations; • systemic liquidity; • emergency plans.</td>
<td></td>
<td>SD; MPD; FSD</td>
</tr>
<tr>
<td>Relations between the domestic Supervision Authority and the foreign one</td>
<td>Strengthen the cooperation with other supervisory authorities in the country and abroad, aiming to overcome or minimise: • differences in terms of the importance the banks’ subsidiaries have in the banking system; • impact of global financial crisis; • certification of rating agencies in different jurisdictions; • distinctions in supervision framework, reporting standards, information disclosure and law enforcement; • different levels of applicability of International Financial Reporting Standards.</td>
<td></td>
<td>SD</td>
</tr>
<tr>
<td>Relations with Financial Supervisory Authority</td>
<td>Foster cooperation with the FSA in terms of: • creating a joint database to be used for daily exchange of information; • drafting joint projects to implement International Financial Reporting Standards; • synchronising operations to strengthen the financial discipline; • coordinating operations to develop and apply emergency plans for the banking system and for the whole financial market; • developing a joint scheme to protect customers.</td>
<td></td>
<td>SD</td>
</tr>
<tr>
<td>Self-regulation of the banking sector and customer protection</td>
<td>Supervision will support self-regulation of the banking sector to contribute to improving risk management and fostering confidence in the banking sector, in the following areas: • Interbank money market; • Collateral evaluation in the lending process; • Ethics code development; • Development of Albanian Association of Banks as a professional organisation.</td>
<td></td>
<td>SD</td>
</tr>
<tr>
<td>FUNCTION</td>
<td>OBJECTIVE</td>
<td>INDICATOR</td>
<td>MEASURE</td>
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<tr>
<td>Statistics</td>
<td>Improve the legal base in support of the Bank of Albania’s role as a statistical agency Adopt core principles of the European Statistics Code of Practice and other similar codes.</td>
<td>The Law on the Bank of Albania and the by-laws that regulate collection of information, reporting of obligations by the reporting entities, the Bank’s relations with third parties and distribution and publication of statistical indicators</td>
<td>Have contacts and training in international institutions of the area (ECB, EUROSTAT, OECD, IMF) and collaborate with other statistical agencies of the country</td>
</tr>
<tr>
<td></td>
<td>Expand and improve statistical database produced by the Bank of Albania, in terms of the number of indicators, disaggregating level, delays in publication and periodicity</td>
<td>The database of indicators produced by the Bank of Albania: Banking, monetary and financial indicators; External sector indicators: balance of payments, international investment position, external debt</td>
<td>Improve the legal base on the reporting system Improve and upgrade the reporting system Qualify human capacities in statistics compilation Draw on experience and get acquainted with the requirements of international institutions (ECB, EUROSTAT, OECD, IMF) on statistical reporting</td>
</tr>
<tr>
<td></td>
<td>Improve and approximate respective methodologies with international standards and norms.</td>
<td>Methodologies and regulatory acts on statistics</td>
<td>Expand and qualify human and technological capacities Have contacts and training in international institutions of the area (ECB, EUROSTAT, OECD, IMF) and other central banks</td>
</tr>
<tr>
<td></td>
<td>Enhance transparency in communication and distribution of data in terms of detailing the existing indicators; adding new indicators and improving the publication terms</td>
<td>All statistical publication spaces: Web site Statistical Report Other periodic statistical bulletins Periodic reports of the Bank of Albania</td>
<td>Expand and qualify human and technological capacities Conduct introductory and training activities with statistics users</td>
</tr>
<tr>
<td></td>
<td>Improve the reporting system through direct qualitative and quantitative surveys from companies and households</td>
<td>Indicators produced by processing information and data from surveys and accompanying publications</td>
<td>Improve the reporting system’s legal base and automation Improve public communication and education on a certain product</td>
</tr>
<tr>
<td>FUNCTION</td>
<td>OBJECTIVE</td>
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<td>MEASURE</td>
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<tr>
<td>International cooperation and European integration</td>
<td>Ensure effective implementation of obligations stemming from SAA (economic criteria; freedom of decision-making, freedom to provide services; liberalization of capital flows and approximation of legislation) and European partnership with Albania</td>
<td>Annual reports and opinions of European Commission on the Bank’s progress in implementing the obligations stemming from European integration</td>
<td>Coordinate work and monitor implementation of the Bank’s commitments to European integration</td>
</tr>
<tr>
<td>Strategic coordination of the European integration process of the Bank</td>
<td>Strengthening Bank’s independence</td>
<td>European Commission’s opinion about Albania’s membership; positive assessment about areas for which the Bank of Albania is responsible</td>
<td>Coordinate and monitor the process of drafting legal acts in compliance with the acquis communautaire and ensure compliance with projects with respect to European Union</td>
</tr>
<tr>
<td>Approximate the domestic legal framework with the acquis communautaire</td>
<td>Approximation methodology</td>
<td>Comparative analysis of the Albanian regulatory and institutional framework (in banking and financial services, payment and capital mobility, consumer protection and central bank independence) in relation to acquis communautaire</td>
<td>Determine methodology for approximating domestic legal acts to the acquis</td>
</tr>
<tr>
<td></td>
<td>Benefit from financial assistance of the European Union</td>
<td>Number of acquis acts translated into Albanian language</td>
<td>Prepare the methodology for approximating domestic legal acts to the acquis</td>
</tr>
<tr>
<td></td>
<td>Degree of public knowledge on the Bank’s role in European integration process</td>
<td>Information and communication</td>
<td>Prepare the methodology for approximating domestic legal acts to the acquis</td>
</tr>
<tr>
<td>Strengthen the Bank’s institutional capacities</td>
<td>Annual regular training</td>
<td>Train the Bank’s staff in European integration issues.</td>
<td>Onward</td>
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<tr>
<td>Development of technical assistance forms</td>
<td></td>
<td>Carry out seminars, study visits and job practices at other central banks.</td>
<td>Onward</td>
</tr>
<tr>
<td>Foster cooperation with central banks of South-East Europe and beyond</td>
<td></td>
<td>Participate in the meetings of the Central Bank Governors’ Club of the Central Asia, Black Sea Region and Balkan countries, the Club of French Speaking Central Bankers and other regional meetings.</td>
<td>Onward</td>
</tr>
<tr>
<td>Foster cooperation with the South-East Europe in banking supervision and financial stability of the region</td>
<td></td>
<td>Bank of Albania’s participation in regular meetings of the banking supervision authorities of the South-East Europe.</td>
<td>Onward</td>
</tr>
<tr>
<td>Strengthen relations with the Central Bank of the Republic of Kosovo</td>
<td></td>
<td>Broden bilateral cooperation, exchanging experience to attain central banking modern practices and standards.</td>
<td>Onward</td>
</tr>
</tbody>
</table>
| Strengthen cooperation and relations with international financial institutions such as the IMF, WB, BIS | | Technical assistance provided by the IMF in terms of:  
  • Monetary policy excellence;  
  • Macroeconomic modelling and inflation forecasting;  
  • Banking supervision;  
  • Implementation of international accounting and payment standards;  
  • Compilation of monetary and financial statistics and those of the balance of payments according to international standards;  
  • Implementation of Business Continuity for the Bank of Albania.  
Technical assistance from the World Bank in foreign reserve management process of the Bank of Albania  
Commitment of the Bank of Albania to meeting all the obligations stemming from the Operational Plan for Implementation of FSAP recommendations, drafted in cooperation with other responsible institutions of the country  
The Bank of Albania aims to continue the active and contributory commitment to the BIS, participating in BIS’s forums and committees with non-membership status.  
Technical assistance from the BIS for standardizing prudential regulations on different segments of the financial sector in general and on those that are responsible for banking system supervision and central bank governance. | Onward | FREICD |
<table>
<thead>
<tr>
<th>FUNCTION</th>
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<th>SCHEDULE</th>
<th>RESPONSIBLE UNIT</th>
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</thead>
<tbody>
<tr>
<td>Communication</td>
<td>Foster public confidence in the institution</td>
<td>Questionnaire results</td>
<td>Publish documents on accomplishment of objectives; Enhance transparency on decision-making matters; Explain monetary policy decisions.</td>
<td>Onward</td>
<td>FREICD, other departments</td>
</tr>
<tr>
<td>Enhance transparency to the public</td>
<td>Research on estimating transparency; Analyses on questionnaire results</td>
<td></td>
<td>Press releases; Public statements; Monetary policy report; Periodic publications; Educational publications (designing publications distribution policy); Improve web site.</td>
<td>Onward</td>
<td>FREICD; other departments according to the case</td>
</tr>
<tr>
<td>Raise the level of public knowledge of the Bank of Albania</td>
<td>Analyses on surveys designed for this purpose</td>
<td></td>
<td>Comprehensive educational publications; Expansion of groups of interest and their territory</td>
<td>Onward</td>
<td>FREICD; other departments</td>
</tr>
<tr>
<td>Enhance internal communication</td>
<td></td>
<td></td>
<td>Bank’s internal magazine</td>
<td>Q 4, 2009</td>
<td>FREICD; other relevant departments</td>
</tr>
<tr>
<td>FUNCTION</td>
<td>OBJECTIVE</td>
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<tr>
<td>Legal service</td>
<td>Enhance governance</td>
<td>Drafting prudential legislative policies by the Bank of Albania</td>
<td>Provide in a specialised way services in accordance with the effective legal framework.</td>
<td>Onward</td>
<td>LD in cooperation with other units</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Protection of the Bank’s legal status</td>
<td>Sensitiveness to changes of external indicators and international standards to create best practices in Bank of Albania’s governance.</td>
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<td></td>
<td></td>
<td>Assuring and improving the legal quality of juridical acts</td>
<td>Enhance efficiency of services and programs that support the Bank of Albania’s objectives.</td>
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<td></td>
<td></td>
<td>Enhancing transparency in carrying out legal services by defining clearly the desired outcome of the supplied services</td>
<td>Raise performance of the staff carrying out legal service at the Bank of Albania.</td>
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<td></td>
<td>Strengthen the legal and regulatory base at the Bank of Albania</td>
<td>Strengthening the legal independence of the Bank of Albania</td>
<td>Changes to the Law “On the Bank of Albania” in the framework of approximating the legislation with that of the European Union and the European Central Bank.</td>
<td>Q 4, 2010</td>
<td>LD</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Approximating the effective legal framework at the Bank of Albania with the international standards and the acquis communautaire</td>
<td>Improve the Bank of Albania’s statute for enhancing the Bank of Albania’s governance, aiming at improving the operational and administrative procedures.</td>
<td>Q 4, 2010</td>
<td>LD</td>
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<tr>
<td></td>
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<td></td>
<td>Compile and approve the draft-law “On the Payment System in the Republic of Albania”.</td>
<td>Q 4, 2009</td>
<td>LD in cooperation with PSD</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>Discuss the Law “On the payment system in the Republic of Albania” with groups of interest, aiming at its proper implementation.</td>
<td>Q 4, 2010</td>
<td>LD in cooperation with PSD</td>
</tr>
<tr>
<td></td>
<td>Legal assistance of international factors, aiming to achieve compliance with juridical standards that ensure enhancement of legal independence of the Bank</td>
<td></td>
<td>Strengthen the legal initiative of the Bank of Albania to negotiate and draft the legal and regulatory framework on the banking and financial systems.</td>
<td>Onward</td>
<td>LD</td>
</tr>
<tr>
<td>Strengthen risk management</td>
<td>Standardization of the legal opinions, aiming at consolidating the banking right</td>
<td>Identify legal risk.</td>
<td>Onward</td>
<td>LD</td>
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<tr>
<td>Prudential monitoring of issues regarded as posing legal risk</td>
<td>Develop and improve the regulatory framework of risk management at the Bank of Albania.</td>
<td>Onward</td>
<td>LD</td>
<td></td>
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<tr>
<td>Enhancement of appropriate juridical capacities to achieve standards</td>
<td>Analyse and model the legal risk type.</td>
<td>Onward</td>
<td>LD</td>
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<td></td>
<td>Propose concrete measures and risk management terms in compliance with the Bank of Albania’s developments.</td>
<td>Onward</td>
<td>LD</td>
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<td></td>
<td>Include legal service in the process of monitoring other risk types, in collaboration with other units of the Bank of Albania.</td>
<td>Onward</td>
<td>LD</td>
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<tr>
<td>Human Resources</td>
<td>Training and qualification</td>
<td>New employment policies</td>
<td></td>
<td>2009 and onward</td>
<td>HRD</td>
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<tr>
<td></td>
<td></td>
<td>Raise the number of trainings organised by the Bank</td>
<td></td>
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<tr>
<td>Career management</td>
<td></td>
<td>Rise in the number of staff with academic degrees (Master, PhD, etc.)</td>
<td>Prepare regulatory acts needed for implementation</td>
<td>Q 4, 2009 and onward</td>
<td>HRD</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rise in the number of research and analytic publications</td>
<td>Review, with the purpose to improve the rewards system and additions to salary on the basis of qualifications and scientific degrees of each employee, who has completed post-university studies and who continues to conduct research by publishing various articles.</td>
<td>Q 2, 2009 and onward</td>
<td>HRD</td>
</tr>
<tr>
<td>Enhancement of research</td>
<td></td>
<td>Rise in the number of employees, who will make publications</td>
<td></td>
<td>Q 2, 2009 and onward</td>
<td>HRD</td>
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</table>

### Internal Audit

<table>
<thead>
<tr>
<th>FUNCTION</th>
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<th>RESPONSIBLE UNIT</th>
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</thead>
<tbody>
<tr>
<td>Internal Audit</td>
<td>Restructure Internal Audit Department</td>
<td>Supervisory Council’s decision</td>
<td>Present the proposal by IAD to the HRD. Present the proposal by HRD to the SC.</td>
<td>Q 1, 2009</td>
<td>General Inspector HRD</td>
</tr>
<tr>
<td></td>
<td>Assess internal audit quality</td>
<td>Conducting quality assessment audits</td>
<td>Carry out internal assessment.</td>
<td>Q 1, 2010</td>
<td>IAD</td>
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<td></td>
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<td></td>
<td>Carry out external assessment.</td>
<td>Q 4, 2011</td>
<td>General Inspector IAD</td>
</tr>
<tr>
<td></td>
<td>Promote internal audit activity</td>
<td>Publications and seminars</td>
<td>Prepare explanatory leaflets.</td>
<td>Q 2, 2009</td>
<td>General Inspector IAD</td>
</tr>
<tr>
<td></td>
<td>Promote internal audit activity</td>
<td>Publications and seminars</td>
<td>Organize explanatory seminars.</td>
<td>Q 4, 2009</td>
<td>General Inspector IAD</td>
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<td>FUNCTION</td>
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<tr>
<td>Information technology</td>
<td>Transfer computer infrastructure to two new buildings and make online connection with the branches.</td>
<td></td>
<td>Design the network topology in the new buildings; Prepare the second room of central equipment at X building; Prepare the first room of central equipment in the new building; Set up communication infrastructure at all the Bank’s buildings in Tirana, and at the Bank’s branches.</td>
<td>Q 4, 2009</td>
<td>ITD, AD, STD</td>
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<tr>
<td>Foreign currency reserve management</td>
<td></td>
<td></td>
<td>ToR, technical specifications, procurement, implementation of solution</td>
<td>Q 4, 2010</td>
<td>ITD, MOD, AD, PSD, AFD</td>
</tr>
<tr>
<td>Expand computer infrastructure for collecting, processing and analysing statistical indicators.</td>
<td>Database of indicators produced by the Bank of Albania: -Banking, monetary, financial indicators; - External sector indicators: balance of payments, international position of investments, external debt</td>
<td></td>
<td>It is currently at the stage of analysing expected changes</td>
<td>Q 4, 2011</td>
<td>ITD, STD, SD</td>
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<tr>
<td>Risk analysis in information technology</td>
<td></td>
<td></td>
<td></td>
<td>2010</td>
<td>ITD</td>
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<td>FUNCTION</td>
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<tr>
<td>Security</td>
<td>Enhance the governance</td>
<td>Improvement of the Bank’s security and protection, adjusting it to ECB’s standards</td>
<td>Plan seminars and workshops with counterparty structures of central banks, to exchange information and experience related to security and protection standards in accordance with ECB’s criteria, to precede access to the Euro-zone.</td>
<td>Onward</td>
<td>SPD</td>
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<tr>
<td></td>
<td></td>
<td>Rise of professional indicators and core trainings of the SPD staff</td>
<td>Analyse the SPD’s organisational structure functioning, pointing out any deficiencies.</td>
<td>Onward</td>
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<td></td>
<td></td>
<td>Re-conception of the SPD’s organisational structure, to ensure physical and electronic protection of the Bank of Albania, of its branches and objects</td>
<td>Draft a new structure according to standards.</td>
<td>Onward</td>
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<td></td>
<td></td>
<td>Application of updated technology standards for electronic protection and security of information</td>
<td>Prepare and approve the electronic protection systems projects of the Bank of Albania and its objectives, as well as of the monetary values protection system during their transportation.</td>
<td>Onward</td>
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<tr>
<td></td>
<td>Strengthen the legal and regulatory base at the Bank of Albania</td>
<td>Improvement of the legal base and regulations of the SPD</td>
<td>Prepare drafts for necessary improvement of the SPD’s regulatory base.</td>
<td>Onward</td>
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<td></td>
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<td></td>
<td>Prepare deeds of agreement with other institutions that collaborate with the Bank of Albania, to carry out the Bank’s legal obligations and ensure its smooth operation.</td>
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<td>Draft and approve the SPD’s recruitment and selection procedure.</td>
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<td></td>
<td>Define the SPD’s recruitment criteria and testing of new entries, according to functional tasks for each work position.</td>
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<td></td>
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<td></td>
<td>Train periodically the SPD’s staff, to acquire knowledge on and use the new electronic protection technology installed at the Bank of Albania premises and its objects.</td>
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<td></td>
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<td>Monitor the SPD’s operations.</td>
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<td>Improve the communication system among SPD’s structures at branches and objects and responsible State Police structures.</td>
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<tr>
<td>Strengthen risk management</td>
<td>Risk analyses and priority directions of intervention</td>
<td>Prepare and approve a security and protection plan of the Bank of Albania and its objects in normal situations and in crisis and emergency situations.</td>
<td>Carry out training in introduction to operations during crisis and emergency situations (fire, earthquake) and evacuation of the Bank of Albania.</td>
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<tr>
<td>Administration</td>
<td>Improve working conditions at the Bank of Albania in compliance with EU standards.</td>
<td>Reconstruction of the existing building and construction of a new building at the Bank’s premises in Tirana</td>
<td>Project completion</td>
<td>Q 2, 2009</td>
<td>AD</td>
</tr>
<tr>
<td></td>
<td>Place updated technology in accordance with EU standards, for both, staff working conditions and the plant and technological systems of the Bank of Albania.</td>
<td>Draft and start the tender procedures for project implementation.</td>
<td></td>
<td>Q 2, 2009</td>
<td>AD</td>
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<tr>
<td></td>
<td></td>
<td>Complete the tender procedures, pursue the works for their construction and completion.</td>
<td></td>
<td>Q 4, 2009  – Q 4, 2011</td>
<td>AD</td>
</tr>
<tr>
<td>Construction of a new building of the Issue Department</td>
<td></td>
<td>Complete the tender procedures, pursue the works for project execution and completion.</td>
<td></td>
<td>Q III, 2009  – Q 3, 2011</td>
<td>AD</td>
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<tr>
<td></td>
<td></td>
<td>Transfer technology and activity of the Issue Department to the new building.</td>
<td></td>
<td>Q 3, 2011</td>
<td>AD, ITD, ID</td>
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<td></td>
<td></td>
<td>Carry out the procedure for purchasing or renting new premises.</td>
<td></td>
<td>Q 3, 2009</td>
<td>AD</td>
</tr>
<tr>
<td>Transfer of the Bank’s activity from the head office, because of reconstruction</td>
<td></td>
<td>Carry out constructive adjustments and transfer of technological plants and the Bank’s activity to above-mentioned premises.</td>
<td></td>
<td>Q 3, 2009</td>
<td>AD, ITD, ID</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Carry out constructive works for adapting the printing-house building to the function of the Issue Department and transfer the latter one.</td>
<td></td>
<td>Q 2-3, 2009</td>
<td>AD, ITD, ID</td>
</tr>
</tbody>
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