

MEDIUM-TERM
DEVELOPMENT STRATEGY OF
THE BANK OF ALBANIA FOR
2013-15

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FOREWORD BY THE GOVERNOR

The medium-term development strategy aims to provide a clear vision with respect to Bank of Albania's orientation toward the European System of Central Banks, by establishing the objectives and identifying the required measures and resources for their achievement. This strategy is an important tool for decision-making bodies and the Bank of Albania management as it identifies the areas requiring further improvement. This document is particularly useful in addressing the constant changes in the Bank of Albania's operating environment and an important tool for strengthening our institutional relations with other state agencies and the public at large.

Identifying the major challenges facing the Bank of Albania over the next three years will enable the central bank to take proactive and timely measures. By putting forward our future commitments, this document is intended to be focused and widely accepted by all stakeholders, as well as a practical and direct guidance for implementation.

This strategy ensures that the institution's activities focus on fulfilling its legal duties, particularly those relating to monetary and financial stability - the two pillars of a modern central bank. While developing the Bank of Albania's strategy, we have tried to involve employees at all levels in order to contribute to a more committed staff to the central bank. We have encouraged them to look beyond their daily routine to provide their own perspective on the current challenges, and internal and external factors that may affect our future performance. In this way, we have benefited from everyone's experience to make this strategy easier to implement.

Building and enhancing human and institutional capacities to meet the established objectives is an essential tool for implementing this strategy. To this purpose, emphasis has been placed on focusing our efforts on the Bank of Albania's basic tasks and establishing a work culture worthy for a public policy institution, as a key factor in meeting the strategic objectives.

In addition to representing an important tool for managing the institution, this strategy strengthens Bank of Albania's legal accountability and transparency. Its successful implementation serves to the institution's annual budget planning. Lastly, it contributes to anchoring public expectations and improving its understanding of the central bank's role and responsibilities in the Albanian economy.

INTRODUCTION

The 2013-15 medium-term strategy aims to provide a proactive response to challenges to the environment in which the central bank operates; promote cooperation within the institution; encourage an effective and efficient allocation of resources; and promote the Bank's accountability. This document is intended to be not only a visionary but also a concrete plan of actions, transparent about planning and desired outcomes, as well as a means of communication addressing to Bank staff and hundreds of interested persons. It is organised according to a structure that clearly presents the internal promoting activity and external results, and that enables the qualitative and quantitative measurement of success or failure in carrying out measures required under the strategy.

Given the above, the strategy sets out the core challenges facing the Bank over the next three years. These measures have been identified by engaging not only department managers but also the whole staff, in compliance with the Bank of Albania's organisational structure and by ensuring a proper relation to the medium-term budget.

Over 2013-15, the Bank of Albania's monetary policy will remain oriented toward achieving and maintaining price stability, aiming at the same time at minimising its operational costs to the real and financial sector of the economy. The Bank aims to improve monetary policy decisions, by enhancing its efficiency and responding to domestic and global economic development challenges. This improvement will be achieved by increasing the quality of analysis and forecasting instruments and by fostering the coordination of monetary policy with fiscal one and macro-prudential measures.

The Bank will determine the objective to develop appropriate macro-prudential policies and inter-institutional cooperation. The development of appropriate macro-prudential policies relates to the identification and implementation of measures, mainly prudential ones, for preventing, restraining and handling the financial systemic risks. The framework for macro-prudential policies will be based on consolidated principles of institutional independence and on the maintenance of the Bank's primary objective. Guided by these principles, the Bank will encourage discussion and decision-making on macro-prudential actions that find support on consolidated monetary policy instruments.

Banking supervision will continue to have the core objective of ensuring a sound banking activity in Albania to guarantee citizens' savings, support financial

stability and contribute to the positive performance of the whole economy. Supervisory procedures will be further structured based on international standards and risk analysis in line with the elevated level of sophistication in banking activity, ensuring the grounds for identifying and assessing any material risks. The regulatory framework development will continue to be oriented by the core objective of approximation to Basel II/III and European Union directives.

The Bank will focus on improving the financial infrastructure, as an important factor to Albania's financial stability, especially in terms of improving the Credit Registry infrastructure by modernising, expanding the range of information and supplied services, as well as by incorporating more credit entities.

Establishing a central securities depository (CSD) and integrating it with the current Albanian interbank payment system (AIPS) and Albanian electronic clearing house system (AECH), which are operated by the Bank of Albania, is an important undertaking to upgrade the banking infrastructure. It will not only automate a number of processes, but will also provide detailed information for overseeing the transparency about financial transactions and customer protection.

With the contribution of the European Bank for Reconstruction and Development (EBRD), the upgrading of banks' reporting infrastructure will further improve the quality of statistics and the analyses produced by the Bank of Albania.

In order to promote security, stability and efficiency of our national payment system, the Bank will intensify its efforts to improve infrastructure, aiming at extending the spectre of their usage by the public. The payment system oversight will be strengthened by re-dimensioning its role into a more active and prudential one, in line with the post-crisis best international and European practices. Also, focus will be on improving the technical and regulatory infrastructure, aiming to approximate it to the best European practices and enhance its security and efficiency, and eventually promote the spectre of use of the system by the public.

The Bank aims at ensuring an acceptable and good quality of banknotes in circulation, to boost public confidence and protect the integrity of banknotes. Through the National Analysis Centre, the Bank will redesign its approach to counterfeit deterrence, starting from legal, administrative, laboratory aspects to public education.

From the organizational viewpoint, focus will be on strengthening the Bank's independence by adhering to standards of the Treaty on European Union and the Statute of the European System of Central Banks, as well as enhancing collaboration with the legislative, executive and independent institutions. Also, focus will be on further alignment of banking legislation with the European

Union acquis, especially in the areas of banking services, capital mobility, money laundering prevention and consumer protection.

The Bank of Albania will strive to strengthen and maintain a motivating work environment for employees, their professional growth and career management, by creating a work culture constantly adapting to changes for achieving the best central banking standards, and a long-term stability, as well as maintaining labour and administrative capacities at the Bank.

Implementing the International Financial Reporting Standards (IFRS) is another challenge to the Bank. Their implementation is closely related to the Bank's overall operational work and data management, information systems and their upgrading, supporting organizational structure, monitoring and controlling the operational risk, increasing staff training and showing due caution in all areas.

The last but not the least, over the medium term, the work will continue to successfully complete the project for restructuring the Bank's head office, enlarging it and returning it to the original. The reconstructed building will provide adequate facilities for a modern museum with integrated numismatic, historical and educational functions. Museum composition and design will preserve the Bank's characteristic architecture, associated with aesthetic functional furniture and museum architectonic scenography.

In terms of intensifying the operational work on money issue, the Bank has successfully completed the new building for currency management and storage. This is a modern centre that incorporates all operational aspects of currency management and processing at one place, thus enhancing the Bank's efficiency in this regard. Also, the projects to upgrade cash processes will continue, being extended to five branches of the Bank.

Investments in the above buildings will enhance the functionality of the Bank's premises, making a huge contribution to preserving and highlighting Tirana's cultural heritage. These buildings will embody modern architecture and related European standards, reflecting the Bank's concrete contribution to preserving and promoting Albanian architectural values.

MONETARY POLICY

Bank of Albania's primary objective is to achieve and maintain price stability. The basic task of this institution is to independently formulate, adopt and implement the monetary policy of the Republic of Albania, consistent with its primary objective.

Over 2013-15, the monetary policy of the Bank of Albania will remain oriented toward the accomplishment of this objective in the medium term, aiming also to minimise its operational costs to the real and financial sector of the economy. The Bank of Albania aims to improve its monetary policy decision-making, to enhance its efficiency and respond to challenges arising from domestic and global economic developments. Raising the quality of analysis and forecasting instruments and fostering the coordination between monetary and fiscal policies, and the macro-prudential measures will lead to this improvement.

DESIRED OUTCOME

By achieving price stability and anchoring inflation expectations around its target, the Bank of Albania contributes to increasing Albania's economic resilience through maintaining macroeconomic balances, reducing risk premia, improving market agents' decision-making and safeguarding the banking system stability.

OBJECTIVE

In quantitative terms, with price stability, the Bank of Albania implies maintaining inflation at 3.0%, with a tolerance band of ± 1 percentage point. Inflation target will continue to be the annual change of Consumer Price Index, as measured and published by INSTAT.

Assessing inflation targeting as the optimal option for formulating, implementing and communicating the monetary policy, the Bank of Albania will strive to fully adopt the elements of this regime, aiming at implementing it formally in due time. The inflation rate projected over a medium-term horizon and its deviation from the target will be the main indicator of inflationary pressures balance in the economy over this strategy period. In case of large and steady deviations of the projected inflation from its target, and considering the causes leading to that deviation, the Bank of Albania's Supervisory Council shall decide on the

monetary policy stance. This will also consider the balance of risks associating these projections and decisions.

Also, the Bank of Albania will use the broad money aggregate, M3, as a supplementary indicator to assess inflationary pressures on the economy. The informative role of the broad money is based on the argument that inflation is a monetary phenomenon in the long term, and as such it is affected by the growth of broad money in the economy.

EXCHANGE RATE

The Bank of Albania will continue to implement a free-floating exchange rate regime. The exchange rate will be determined freely by the interplay between the demand for and supply of foreign currency, as well as by other fundamental factors affecting it.

Supporting its monetary policy, as a guarantee to withstand severe shocks on the real sector of the economy and the financial stability of the country, the Bank of Albania is committed to maintaining a sufficient level of foreign exchange reserve. Pursuing the best international practices, the Bank of Albania will judge upon the sufficient level of reserves by considering the observance of the following two quantitative criteria:

- Maintenance of a sufficient level of foreign exchange reserves in the medium term to cover at least 4 months of import of goods and services; and
- Maintenance of a sufficient level of foreign exchange reserves to cover Albania's short-term foreign debt.

INSTRUMENTS

The Bank of Albania will continue to rely on market instruments to achieve its monetary policy objectives, considering at the same time the impact of macro-prudential measures on transmission mechanism.

The weekly interest rate on repurchase and reverse repurchase agreements is the main instrument to be employed for transmitting monetary policy signals.

The Bank of Albania aims at further improving its instruments framework to enhance their efficiency and observe the effective legal framework and the principle of their indirect impact on the financial system and the real economy.

PRIORITIES

The Bank of Albania's priorities to enhance the monetary policy efficiency will be:

- Improve research quantitatively and qualitatively to consolidate the analytical and forecasting models. These researches should guide the Bank of Albania's strategic decision-making, by raising the forecasting accuracy, thoroughly assessing the risks to monetary developments and economic outlook, as well as the suitability of instruments to achieve the objectives.
- Increase coordination of monetary policy with macro-prudential measures and the supervisory framework of the banking system during the phase of formulation, assessment of mutual effects and their implementation. Acquainting the interplay between both policies better and increasing their coordination will enhance the Bank of Albania's efficiency of intervention in financial markets and the real economy.
- Acquaint thoroughly the transmission mechanism channels and monetary policy lags, which are constantly changing due to internal developments of the Albanian economy and global financial crisis.
- Increase harmonization of monetary and fiscal policies, by constantly exchanging information and analyses on economic outlook, and sharing opinions on the interplay between monetary and fiscal policy.
- Expand further the information base used in decision making.
- Improve the financial market functioning. The Bank of Albania will strive to improve the money market and securities infrastructure, aiming at improving the monetary policy transmission and serving the market operators better. In this regard, the Bank of Albania will work for carrying out the central depositor project, aiming at minimising participants' risk in effecting simultaneous settlement and encouraging increase in the number of transactions. Also, to promote the money market activity, the Bank of Albania will strive to improve the infrastructure by creating an electronic trading platform.
- Expand and improve the quality of Bank's communication with the public. In this regard, focus will be particularly on communicating clearly, openly and timely the reasons behind monetary policy decisions, across an ever-larger community of stakeholders.
- Enter 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 consensus for Bank of Albania's inflation target.

PERFORMANCE MEASURES

Bank of Albania's success in terms of its monetary policy will be measured through the degree of:

- Meeting our inflation target, measured by the annual Consumer Price Index change;
- Anchoring public expectations for inflation around Bank of Albania's target and curtailing risk premiums on our national currency;
- Anchoring short-term interbank interest rates close to Bank of Albania's key interest rate (one-week interest rate on repurchase agreements/reverse repurchase agreements);
- Assessing effectiveness and quality of analysis and research.

FINANCIAL STABILITY

Financial stability is a fundamental condition for a stable economic development in the country. The Bank of Albania, in its role as a banking system regulator and supervisor, and as a promoter of payment and settlement systems, provides a direct and essential impact on maintaining financial system stability and financial market development. The latest global financial crisis revealed that relying only on financial and micro-prudential regulation neglects an important dimension of financial stability, such as the interplay between macroeconomic performance and financial stability. Therefore, the Bank of Albania will focus on the objective of developing appropriate macro-prudential policies and inter-institutional cooperation.

The development of appropriate macro-prudential policies is related to the identification and implementation of measures, mainly prudential ones, to prevent, contain and handle systemic risks. The Bank of Albania's framework of macro-prudential policies will be based on the consolidated principles of institutional independence and on achieving the primary objective of controlling the annual inflation rate. Guided by these principles, the Bank of Albania will generate discussion and decision-making on macro-prudential actions that find support on consolidated monetary policy instruments. At inter-institutional level, effective macro-prudential policies require setting forth an appropriate institutional framework that clearly defines responsibilities, accountability and the way of harmonising actions among involved public authorities. These policies also require developing specific instruments that assess the probability of occurrence of systemic risks over time and their inter-sectoral extension, and that enable their handling. In this framework, even in the future, the Bank of Albania will encourage concluding discussion about these issues through periodic meetings of the Consultative Group for Financial Stability.

The development of macro-prudential policy framework will be based on ongoing communication between Bank departments and committees. The Bank will participate actively in such discussion and will support it through analyses of macro-economic and financial developments, assessments of various risks, proposals of macro-prudential actions and pursuit of their implementation. The Bank will continue to use the Financial Stability Report and the Financial Stability Statement to acquaint the public with its assessment of the financial system stability.

Specifically, over 2013-15, the work on financial stability will focus on the following objectives:

- Fulfil a framework of indicators measuring the performance of systemic risk to the financial system, and adopt a procedure for the periodic assessment of their appropriateness - within the first half of 2013;
- Develop various techniques that test the resilience of the banking sector and the financial system to various macro-financial scenarios and exposure to credit, market and liquidity risks - in an ongoing way;
- Improve the framework for managing financial distress at institutional and inter-institutional levels, by identifying various regulatory and operational improvements - in an ongoing way;
- Build an index/indicator to measure the performance of real estate (housing) - within the first half of 2013;
- Build a model to measure the interplay between the performance of the banking sector and macroeconomic indicators, improving the Bank of Albania's forecasting capacity - within the first half of 2013;
- Identify countercyclical macro-prudential policies that decrease the dependence of the performance of the financial system, and especially of the banking one, on economic cycle swings - within 2013;
- Carry out an analysis of the possibility of special resolutions for systemically important banks and financial institutions, including also setting higher capital and liquidity requirements for their activity - within 2013;
- Make an analysis to assess the need for improving the institutional framework related to the protection of consumers receiving financial services - within 2014;
- Increase transparency about the assessment and analyses of financial system stability, by communicating them to the financial industry and reviewing the content of periodic and specific publications - in an ongoing way.

The achievement of the above objectives poses a challenge to Bank staff, to be faced with professionalism and devotion. Development of staff expertise is an ongoing objective. During this strategy period, the Bank will assess the appropriateness of financial stability structure composition, and if necessary, during 2013-15, it will identify proper proposals on:

- Regulatory changes that lead to: (i) staff expertise; (ii) increase in staff number; and
- Training staff in certain areas.

BANKING SUPERVISION

During 2013-15, the Bank of Albania will rely on positive outcomes achieved so far in implementing the Medium-Term Strategy of Banking Supervision (2009-14), using the gained experience to further calibrate organizational resources towards further strengthening of risk-based supervision. The primary objective in this regard remains: to ensure sound banking activity in Albania to guarantee citizens' savings, safeguard financial stability and contribute to the positive performance of the overall economy.

To achieve this objective, the Bank of Albania will focus on the following pillars:

- **DEVELOPING THE METHODOLOGY**

Methodology development aims to further structure the supervisory procedures, by continuously identifying the needed improvements in accordance with the international standards and the best practices. In this context, it is important to further review and enrich the supervisory procedures and risk analysis in accordance with the rising level of sophistication in Albanian banking activity, providing the basis for the identification and assessment of any material risks.

The Bank will encourage the use of effective risk management systems and planning of banks' capital needs, as very important elements of the supervisory assessment in the Basel Pillar II framework.

- **DEVELOPING THE REGULATORY FRAMEWORK**

The development of the regulatory framework will continue to be oriented toward the core objective of approximation with the Basel II and the European Union (EU) directives, using also all the available spaces to maintain flexibility and adapt regulatory acts in line with the developments taking place in the Albanian banking system.

A new regulation on capital adequacy will be adopted, as one of the major projects in the framework of harmonisation with the EU standards. Because of its importance, a broad discussion with the banking industry will precede its entry into force.

Adopting the international financial reporting standards (IFRS) for regulatory purposes is another needed element for a full adoption of the Basel II framework.

In the post-financial crisis conditions, when international regulatory and supervisory standards have entered a stage of significant changes in the context of global financial reform, the Bank of Albania will continue to reflect all the elements relevant for the Albanian banking system into the domestic regulatory framework.

- **DEVELOPING HUMAN RESOURCES**

Development of human resources will focus on intensifying staff training in accordance with the rising sophistication of available regulatory and methodological bases, which on the one hand create more room for exercising supervisory powers, and on the other pose challenges regarding the need to increase administrative and professional capacities for their full and effective utilisation. In this framework, the focus will be on deepening the knowledge of the regulatory and supervisory framework in line with the Basel II, EU Directives and the best international standards.

- **STRENGTHENING COOPERATION AMONG BANKING SUPERVISION, FINANCIAL STABILITY AND MONETARY POLICY**

Coordination of banking supervision with financial stability aims at an effective harmonisation of the macro-prudential approach with the micro-prudential one, taking advantage of the synergy enabled through the coordination of respective instruments. This cooperation will specifically aim at supporting the supervisory and regulatory activities of the Bank of Albania with the necessary analytical framework to enable the application of macro-prudential policies with a view to meeting the core objective of safeguarding Albania's financial stability.

The set of micro-prudential instruments will continue to contribute to enhancing the Bank of Albania's monetary policy effectiveness.

Banking supervision will integrate all relevant signals arising from the monetary policy and financial stability to support the analysis of risks posed to individual banks and to the banking system, putting them in a proper macroeconomic context.

- **STRENGTHENING COOPERATION WITH FOREIGN SUPERVISORY AUTHORITIES**

Cooperation with foreign supervisory authorities will be based on formalising the relations, completing the framework for memoranda of understanding (MoU) with all relevant counterparts.

These memoranda aim at expanding the cooperation with those authorities

that the Bank of Albania has not yet formalized its cooperation. Meanwhile, the cooperation with foreign supervisory institutions will continue to increase, exchanging information and coordinating activities, participating in supervisory colleges and keeping intensive contacts, on an ongoing basis.

- **STRENGTHENING DIALOGUE AND COOPERATION WITH THE BANKING INDUSTRY**

The dialogue with the banking industry will focus on promoting participation and contribution of the banking industry to initiatives that on the one hand raise accountability and sound management of the banking activity and, on the other, provide mutual benefits by cooperating on well-understood and agreed-upon issues.

- **ENHANCING TRANSPARENCY AND CUSTOMER PROTECTION**

Promoting policies to define clear terms about the provision of banking products and services and related transparency will be an important aspect of Bank of Albania's work in terms of enhancing transparency and customer protection.

Public awareness of available instruments and possibilities of using them efficiently is an important dimension, hence exercising the needed role in obtaining the targeted product through a fair competition.

- **DATA REPORTING SYSTEM AND THEIR QUALITY**

Further increase in the quality of statistics and analyses produced by the Bank of Albania will be based on an improved data reporting system that is being developed with the contribution of the EBRD. Investing in this system will be an important base for broader, deeper and more efficient analyses, as well as for a harmonised implementation of new reporting standards in compliance with IFRS.

FINANCIAL INFRASTRUCTURE PAYMENT SYSTEMS

With a view to enhancing the safety, stability and efficiency of the national payment system in Albania, the Bank of Albania will, in the medium-term period, intensify its efforts to strengthen its supervisory role, improve the infrastructure - in order to ensure their greater use by the public - and play a more active role as a promoter of reforms in the payment system's area in response to the current market needs and conditions. The above-mentioned goals are also supported by the enhanced transparency in order to familiarize the public with the functioning of the payment systems and enhance their awareness of the changes in this area.

Based on the above, the main objectives of the Bank of Albania for 2013-15 will consist in:

Improvement and completion of financial markets' infrastructure.

- This objective will be mainly achieved through the development of a central securities depository (CSD) and its integration to the current settlement (AIPS) and clearing (AECH) systems operated by the Bank of Albania.

Strengthening of the Bank of Albania's payment system oversight role by re-dimensioning it into a more active and prudential role in line with the best international and European practices following the global financial crisis. The above-mentioned objective is expected to be materialized by:

- Improving and completing the legal and regulatory basis;
- Promoting inter-departmental and inter-institutional cooperation with a view to handling the payment systems' oversight with efficiency and preventing overlapping of actions;
- Improving the institutional capacities further in order to efficiently implement the rules and procedures arising from the improvement and completion of the legal framework;
- Improving the assessment methodology for financial market infrastructure in compliance with Basel core principles based on assessments to date.

Improving the technical and regulatory infrastructure in order to approximate it to the best European practices and enhance its safety and efficiency, and eventually promote the use of the system by the public. This objective will be achieved through:

- Improvement of the current payment systems operated by the Bank of Albania and their interfacing with other systems;
- Intensification of studies on payment instruments in order to analyse and go deeper into the concerns facing the Albanian market, and address the appropriate solutions.

Promoting Bank of Albania's role as a catalyst by:

- Encouraging automation through the optimization of the flow of payments into the systems;
- Encouraging interbank cooperation in order to set up the required infrastructure and approximate the regulatory and technical aspects of the payment instruments to the rules and principles for the functioning of payment instruments in the context of the Single Euro Payments Area (SEPA);
- Reactivating the National Payments Committee based on modern rules and procedures adapted to the current market needs;
- Taking measures to improve the existing infrastructure and setting up new infrastructure that will assist the launch and use of innovative payments;
- Encouraging the use of electronic payment instruments following the reduction of cash in the economy, mainly by approximating the national legal framework on payment services and electronic money to the European one.

Enhancing public transparency, which will mainly be achieved by:

- Disclosing the policies implemented by the Bank of Albania concerning the oversight of all important payment system components, and clearly establishing the methods and instruments used by the central bank for this purpose;
- Publishing reports on the assessment of systems in compliance with the international principles for financial market infrastructure;
- Processing and periodically releasing data on payment instruments and systems.

CURRENCY ISSUE

Bank of Albania's objectives include the improvement of the regulatory framework governing currency circulation and authenticity assurance, quality improvement of banknotes in circulation, efficiency and capacity enhancement in Bank's processing activity, higher commitment for protection against counterfeiting, continuous study of the structure of currency in circulation, and development of numismatics.

IMPROVING THE REGULATORY FRAMEWORK

The Bank of Albania will review the rules and criteria used for processing banknotes in order to establish unified standards for the circulation of currency in the Albanian banking system. The regulatory framework for the management and processing of Albanian banknotes and coins will be reviewed taking into consideration the contemporary standards set and applied by the European Union and the European Central Bank (ECB) concerning the circulation of currency.

IMPROVING THE QUALITY OF BANKNOTES IN CIRCULATION

The Bank aims at ensuring a good and acceptable quality of banknotes in circulation in order to boost public confidence and protect the integrity of banknotes. During 2013, the Bank of Albania will set the standard for putting into circulation through ATMs only banknotes processed in automatic sorting machines that successfully passed the Bank's test. This will ensure continuous return of banknotes to the Bank of Albania and allow for higher quality assurance of those in circulation.

IMPROVING THE EFFICIENCY IN PROCESSING

The Bank of Albania aims to implement automated processes for the processing, packaging and destruction of banknotes at the new cash centre. Investment in automated banknote processing machines will be followed by a new plant for the destruction and briquetting of banknotes unsuitable for re-circulation, and the installation of a professional vacuum packaging system. In addition, the Bank of Albania will replace the current cash management information system with a new contemporary programme.

The Bank of Albania will consider the gradual upgrade of its processing capacities in order to ensure full coverage of market needs with banknotes processed by sorting machines. The Bank will, in the future, encourage establishing processing capacities at commercial banks.

PROTECTION AGAINST COUNTERFEITING

Through the National Centre for Analysis, the Bank of Albania will re-design its approach to banknote counterfeiting, starting from legal, administrative, laboratory aspects to public literacy. This will be the new standard to be set by the Bank of Albania, which at the same time will meet one of the requirements of the *acquis communautaire* (protection of money against counterfeiting) for EU membership.

STUDYING THE STRUCTURE OF CURRENCY IN CIRCULATION

The Bank of Albania makes frequent analyses of the structure of currency in circulation. An adequate denomination structure helps facilitate and optimize payment transactions. The launch of 2000 Lek denomination banknote and its entry into circulation in 2008 is a result of the Bank's analyses. The study of the structure will focus on the number of banknote and coin denominations, the upper limit of banknote denomination and the limit between the coin and the banknote.

INCREASING NUMISMATIC ACTIVITY

The Bank of Albania will increase its numismatic activity. The latter is viewed as an effective method to introduce and promote a country's national culture, history and values. Numismatic activity will aim at strengthening communication between the Bank of Albania and both the Albanian and foreign public. The Bank will therefore hold different exhibitions, publish catalogues of the Albanian currency through the years, and continue to produce banknotes and coins for numismatic purposes.

With a view to formulating and implementing its monetary policy, the Bank of Albania produces and publishes official statistics on the monetary sector and the external sector of the economy. These statistics represent an important information base to the government and economic agents' economic and financial policies and decision-making. The Bank of Albania is an integral part of the national statistical system and implements the legislation governing the functioning and cooperation of the statistical agencies in this system. Its work as a statistical agency will, in the medium-term period, orient toward accomplishing the tasks and formulating indicators as provided in the Official Statistics Programme for 2012-14.

Bank of Albania's long-term objectives with respect to statistics will focus on two main directions:

- Approximation to EU standards, particularly the approximation of statistical legislation, methodologies and products to the European Commission, ECB and Eurostat acts.
- Improvement of the statistical service provided to the public, including the broadening of the statistical indicators' base, higher level of detailing and coverage of indicators. The Bank of Albania will continue to invest in the means of communication and dissemination of information to the public, working in parallel to improve public literacy and the accurate use of statistical indicators.

Bank of Albania's medium-term objectives in the field of statistics are as follows:

- Improvement of technological infrastructure with a view to enhancing the efficiency of reporting, reducing the reporting burden and improving the quality of statistics. In this context, the Bank of Albania is working on setting up an automated reporting system funded by the EBRD. This project foresees amending the regulatory basis, reviewing and harmonizing the reporting forms and training the reporting entities. The new reporting platform, projected to be put in place during 2013-15, will contribute to considerably improving the necessary indicators for banking supervision, financial stability analyses and official statistics of the Bank of Albania.
- Coordination of requirements for commercial bank reporting for statistical and supervision purposes, in order to minimize the burden of reporting entities.

MONETARY SECTOR STATISTICS

- Wider coverage beyond the banking sector by including non-bank financial institutions in the regular production of statistics.
- Production of new statistical indicators in accordance with the reporting requirements and standards of statistics agencies of the European Community, such as the ECB and Eurostat.

FINANCIAL ACCOUNT STATISTICS

- Production of financial account statistics on the financial sector and the establishment of the relevant inter-institutional structure, drafting of the methodology and identification of sources for producing financial accounts for all the sectors of the economy.

EXTERNAL SECTOR STATISTICS

- The main objective over the medium term is to adjust balance of payments and international investment position statistics standards to the standards and requirements under the Balance of Payments and International Investment Position Manual, 6th edition, IMF 2010 and OECD, Benchmark Definition of Foreign Direct Investment, 4th Edition, 2008.
- Meeting Eurostat requirements laid down in Vademecum 2011 and ECB's requirements on the provision of detailed balance of payments statistics by countries and economic sectors.

The medium-term objectives will be achieved by:

- Drafting by-laws including regulations, manuals, reporting forms and guidelines to improve the statistical product in compliance with the international methodological manuals;
- Improving the organizational structure with a view to adjusting to the new production and dissemination requirements and statistical reporting to EU institutions;
- Improving human capacities through participation in seminars, trainings provided by national and international institutions and working visits to Bank of Albania's counterparts;
- Upgrading technological capacities by investing in trainings and contemporary programmes for statistical data management;
- Strengthening cooperation between statistical agencies and users of official statistics through bilateral cooperation agreements, activities and projects focused on specific statistics sectors.

MONETARY SECTOR STATISTICS

- Preparing manuals and adjusting monetary and financial statistics to ECB's reporting requirements and adopting revised international statistical standards SNA/ESA.
- Upgrading technological capacities through the automation of the infrastructure for the collection, control, validation and compilation of monetary and financial statistics.

EXTERNAL SECTOR STATISTICS

- Formulating the medium-term plan for the methodological improvements of balance of payments statistics in accordance with the international statistical standards;
- Adjusting the data reporting forms for statistical purposes in compliance with the Balance of Payments and International Investment Position Manual, 6th edition, IMF 2010 and Vademecum, Eurostat 2011;
- Increasing the number of quarterly and annual statistical surveys in order to provide elaborate data on direct investment, travel services and workers' remittances.

EXPECTED OUTCOME

MONETARY SECTOR STATISTICS

- Designing a pilot model and methodological documents for the creation of financial accounts of monetary and financial institutions and other financial institutions;
- Preparing and distributing statistical tables on non-bank financial institutions, hence complementing the spectrum of sub-sectors in the financial corporate sector;
- Preparing and distributing new monetary and financial indicators, such as statistics on interest rates and deposit and loan flows, based on the international methodologies and practices.

EXTERNAL SECTOR STATISTICS

- A detailed medium-term plan of statistical activities and a calendar of actions with a view to meeting the medium-term objectives;
- Detailed balance of payments statistical indicators in line with the international standards;

- Quarterly statistics on foreign direct investment stock and flows in accordance with Eurostat-Vademecum 2011 requirements;
- Designing the system for OFATS in cooperation with INSTAT in accordance with Eurostat-Vademecum 2011 requirements.

STRUCTURE, STATUS AND ACCOUNTABILITY

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INDEPENDENCE AND GOVERNANCE

In accordance with its organic law, the Bank of Albania, within the competences defined by the Law, is independent of any other power for achieving its main objective and in exercising the tasks assigned. However, the Bank of Albania relies on the Government and the Assembly for its paid-up capital, and the election and appointment of the members of the Supervisory Council. In this context, Bank of Albania's organic law and Supervisory Council's by-laws will be improved in order to strengthen the central bank's operational, institutional, financial and personal independence.

STRATEGIC OBJECTIVES

Strengthening Bank of Albania's independence and enhancing cooperation with legislative and executive bodies and other independent institutions.

INDICATORS

Strengthening Bank of Albania's independence implies:

- Strengthening financial independence. The changes will consist in equipping the Bank of Albania with the necessary financial guarantees and assets in order to accomplish its objectives. They include: (i) the requirement that the Bank of Albania is fully paid up; (ii) compliance with IFRS regarding profit distribution scheme and unrealised gains and losses; (iii) prohibition, with some limitation, of lending to the Government. This will be carried out through several phases.
- Strengthening institutional independence. The measures in this regard aim at consolidating Bank of Albania's, its Supervisory Council members' and staff's autonomy from any other persons or entities, including government authorities.
- Strengthening operational independence. Even though the organic law prioritizes Bank of Albania's objectives and defines price stability as the primary objective, the hierarchy of objectives will be defined further. Support to general economic policies in Albania will be another additional objective. This objective will be interdependent on the primary and

- secondary objectives (promote and safeguard financial stability).
- Strengthening personal independence. There is room to improve the procedures for the appointment and dismissal of the Supervisory Council members, hence contributing to strengthening Bank of Albania's accountability.
 - In addition, with a view to maintaining and strengthening Bank of Albania's independence, the agreement with the Ministry of Finance will be reviewed in order to ensure its compliance with the organic law regarding profit distribution to the state budget. This review will address the recommendations made by the State Supreme Audit institution and external auditors concerning the issues regulated under this agreement.

The strategic objectives relating to independence will be achieved through:

- Legal approximation to the Treaty on EU and the Treaty on the Functioning of the EU and to the Statute of the ESCB and the ECB;
- Review of the Framework Agreement between the Bank of Albania and the Ministry of Finance.

With a view to improving Bank of Albania's legal independence and the laws and by-laws governing banking area, meetings will be held and technical assistance will be provided by IMF and other ESCB banks' experts.

GOVERNANCE

From the judicial viewpoint, Bank of Albania's governance relates to policies, programmes and services required for a sound governance and effective management of resources for the Bank's activities.

STRATEGIC OBJECTIVES

The primary objectives of governance at the Bank of Albania are as follows:

- improving governance;
- strengthening the legal and regulatory basis; and
- strengthening risk management and enhancing legal service transparency.

INDICATORS

The indicators for the accomplishment of objectives in the area of sound governance are as follows:

- drafting of prudent legislative policies by the Bank of Albania;
- protection of Bank of Albania's judicial status;
- higher efficiency of services and programmes supporting Bank of Albania's objectives;
- understanding the regulatory framework and making the Bank's staff aware of the judicial services and continuous legal risk management.

Towards the realization of these objectives, the concrete measures to be taken by the Bank of Albania can be channelled through the following activities:

- specialized provision of services in accordance with the effective laws and by-laws;
- Bank of Albania's representation before the court;
- provision and improvement of the quality of judiciary acts.

These measures are expected to have the following impact:

- improvement of instruments for the identification and analysis of legal risk;
- analysis of the existing legal framework and gap-filling in line with the banking and financial system development in general;
- performance development of staff providing legal service at the Bank of Albania.

ACCOUNTABILITY

PROVISION OF "COMPLIANCE WITH THE INTERNATIONAL INTERNAL AUDITING STANDARDS".

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

In order to achieve this mission, internal audit is governed by the following basic principles: (i) integrity; (ii) independence; (iii) objectivity and unbiasedness; (iv) confidentiality; and (v) competence.

The main activities of the Bank of Albania in the field of internal audit are as follows:

- Provision of reasonable assurance that the internal controls put in place by the Bank's management operate adequately and effectively;

- Provision of assurance regarding the implementation of laws and by-laws in Bank of Albania's activity;
- Action as a general control measure and consulting services provided to the Bank's management and the Supervisory Council.

The main objectives of the Bank of Albania in the field of internal audit are as follows:

- Quality improvement of internal auditing and consulting services.
- Improvement of the risk management process.

The strategic goal and main objectives will be accomplished by consolidating the achievements made so far, such as:

- Improvement of communication with Bank of Albania's audited units, Management and the Supervisory Council;
- Improvement of the regulatory framework and the internal audit procedures manual;
- Improvement of the internal audit quality monitoring and assessment process;
- Improvement of the methodology for the risk assessment of audited functions/processes;
- Use of risk mapping to orient internal audit activity;
- Deepening of internal auditors' expertise and certification.

COMMUNICATION

The success of monetary policy is also linked with the importance the society gives to monetary stability, that is the level of attention monetary policy-related issues get; the extent of public support to an independent central bank and the quality of central bank's communication of its actions to the public. Communication is therefore a key, non-technical instrument of monetary policy.

In order for monetary policy to be understandable, the Bank of Albania engages in an interactive public communication, considering it as a matter of primary and strategic importance. Transparent communication contributes to enhancing monetary policy credibility and efficiency, hence helping the public to better understand the Supervisory Council's decisions.

With a view to improving the quality of decision-making and enhancing the efficiency of policy transmission to the economy, the Bank of Albania commits to further enhancing its cooperation with other institutions responsible for designing and implementing economic policies. Higher coordination with fiscal policy

through continuous exchange of projections and opinions with the Ministry of Finance on the actual and expected performance of the economy will be of particular importance. In addition, higher cooperation with INSTAT will remain a priority of this medium-term plan, aiming at a quantitative and qualitative improvement of economic and financial statistics in Albania, and their disclosure in accordance with the most advanced international standards. Lastly, higher cooperation with other supervisory and regulatory institutions of the Albanian financial system remains another priority, with a view to aligning the standards and practices, and safeguarding the country's financial stability.

The Bank of Albania has a consolidated positive tradition of cooperation and dialogue with banking industry, focusing on the identification of major concerns impacting on the banking system stability and addressing issues concerning individual banks. In this context, forums have been held with the banking sector, which have contributed to establishing communication of mutual benefit for evaluating concerns raised by the Bank of Albania, as well as addressing banking industry-related issues. The regulatory amendments have incorporated the opinions of banking industry, generating in turn regulatory acts that respond to market dynamics effectively. In addition, communication with the banking system has aimed at undertaking initiatives to improve the financial infrastructure, while particular attention has been also paid to the quality of bank governance, banking transparency and consumer protection.

STRATEGIC OBJECTIVES

- Creation of a new visual image for the Bank of Albania based on a concise and constant concept. It will reflect the three pillars the central bank bases its work on: credibility, transparency and accountability, and will identify the Bank of Albania from the other institutions.
- Improvement and analysis of Bank of Albania's official website.
- Use of new means of public communication by participating in several social platforms.

The strategic objectives relating to communication will be achieved through:

- **Creation of a new institutional image by re-designing the main elements constituting the institution's image.**

Creation of a unique image implies the identification of the institution - in our case the Bank of Albania - from the other institutions. It will therefore be simple and serious, expressing the major functions of the Bank of Albania in general, and preventing any implications in its understanding by the public at large.

The elements of the new institutional image will be as follows:

- Bank of Albania's new logo;
- Colours scheme used in electronic and non-electronic communication;
- Graphics of electronic and non-electronic communication;
- Typography used in electronic and non-electronic, and formal and informal communication of the institution;
- Layout of materials in electronic and non-electronic, and formal and informal communication of the institution;
- Visual electronic and non-electronic image of the institution.

All components of the new institutional image will be applied and integrated in all Bank of Albania's communication channels, such as its official website, publications, public and internal presentations, agendas and calendars.

In order to decide on the new institutional image, the Bank of Albania will launch an open competition to select the best idea for conveying its institutional image.

- **Re-designing Bank of Albania's official website and subscribing to social media platforms**

A central bank's official website is its public face. Its quality, visual display and user-friendliness affect public perception about the institution. Bank of Albania's official website should therefore convey the institution's communication philosophy. The new institutional image should also be entirely integrated into its official website.

Concerning communication technology, the Bank of Albania will join some social networks in order to convey information to a wider public and to those conveying information due to their profession, such as researchers and journalists.

Making statistical analyses of Bank of Albania's official website:

Bank of Albania's official website will be analysed through the application of a specific web analytics programme, which helps obtain data on the number of visitors to the different website sections, duration of visits to each section, and demographic and geographic data on visitors.

- **Financial Literacy**

The Bank of Albania has since 2006 been engaged in implementing financial literacy programmes, becoming in turn a leader national institution in this area. It will contribute to improving Albanian people's understanding of the economic

and financial factors affecting their lives and helping them be active players in the economy. The Bank of Albania cooperates with national and international institutions in order to establish a comprehensive financial literacy platform adapted to the national education system needs.

Strategic objective:

- **Enhancing financial literacy in Albania**

This strategic objective relating to financial literacy will be achieved through:

- Integration of basic financial literacy concepts and understanding into the revised 9-year basic education curriculum in cooperation with the Albanian Educational Development Institute (AEDI).
- Design of financial literacy educational packages intended for 9-year basic education pupils in line with OECD recommendations and in cooperation with AEDI. These packages will be distributed free of charge in cooperation with the Ministry of Education and Science.
- Design of a solved exercises book for teachers of Economics teaching the elective module “Personal Finance in Your Hands”, which became part of the high school curriculum for 2011-12 academic year. The distribution of the book will be accompanied by teacher training seminars.
- Development of a methodology for measuring the efficiency of Bank of Albania’s financial literacy programmes for the education system in line with OECD practices.
- Conduct of the second national survey for measuring the level of financial literacy of adult Albanians in cooperation with INSTAT. The survey methodology will be based on OECD International Network on Financial Education (INFE) guidelines in order to compare data to those in other countries.

- **Establishment of Bank of Albania’s Museum**

The project for the reconstruction of Bank of Albania’s headquarters foresees adequate facilities for establishing a modern museum with integrated numismatic, historical and educational functions. Museum composition and design will preserve the Bank’s characteristic architecture, associated with aesthetic functional furniture and museum architectural scenography. Museum’s functionality will be achieved through engineering infrastructure and different lighting, ventilation, object security and information technology techniques.

The Bank aims to apply the best practices in the establishment of similar museums by selecting a prominent studio for carrying out similar projects.

To this end, all by-laws will be amended to align with the contemporary standards. In addition, the Bank will further develop the numismatic coins minting practices, in order to introduce through their designs important events, personalities, historical, cultural and architectonic values, etc. In order to achieve the museum's functionality, all numismatic values will be digitalised.

The establishment of the Bank's museum will aim at:

- Enhancing public understanding of the Bank of Albania's objectives, functions and activity, as well as its role in Albania's economy;
- Unfolding the contents of Bank of Albania's numismatic and historical fund;
- Making the visitors aware of the historical and cultural values of Albanian currency and coins, as well as of the Bank of Albania's history;
- Organizing historical, cultural and artistic activities intended for the public at large;
- Improving Bank of Albania's numismatic activity and providing the public greater opportunities to know our national currency.

The work for the establishment of Bank of Albania's museum is expected to be completed by 2013. The museum will begin to operate and be open to the public in parallel with the completion of works for the reconstruction of the Bank's headquarters. Public visits and trading of numismatic values will be made in the museum's premises. The Bank's museum will join the international museum institutions in the years to follow.

It will also help the public gain a better understanding of basic central banking and personal finance concepts. The work for the establishment of the Bank's museum in the medium-term period will consist in the conduct of an international competition for the design, projection and construction of a modern museum, in order to bring the best experience in this area. During the three-year period following its establishment, the Bank of Albania will launch a campaign to promote the new museum and design programmes to welcome people of all ages entering the central bank for the first time.

EUROPEAN INTEGRATION

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With a view to meeting the requirements arising from the European integration process and the legal and regulatory approximation to EU acquis, the key objectives of the Bank of Albania will mainly focus on:

- Monitoring the legislative part of EU Master Plan;
- Meeting Bank of Albania's requirements arising from the European Integration strategic documents;
- Meeting Bank of Albania's requirements in the framework of the joint EU-Albania structures established to supervise the implementation of the Stabilisation and Association Agreement;
- Addressing European Commission recommendations on the legal and institutional approximation;
- Absorbing and applying the best practices of institutional and inter-institutional coordination of EU central banks;
- Further developing cooperation with the European System of Central Banks (ESCB);
- Coordinating EU financial assistance to Albania, particularly Taiex programme and other programmes: twinning light;
- Informing the public on European integration issues concerning the banking area, capital liberalization and euro adoption;
- Strengthening the role and improving the translation quality of EU legal acts into Albanian and Bank's acts into English;
- Capacity building within the Bank to confront European integration challenges.

Towards the realization of the key objectives for meeting the requirements arising from the European integration process, the Bank of Albania will take the following measures:

- Identify and use consolidated versions of EU acquis-related acts with the respective amendments;
- Formulate compliance tables in order to identify the approximation level of banking legislation to that of EU, and scrutinize accompanying reports on Bank's draft acts approximating EU acts;
- Monitor and effectively meet the requirements arising from the following European integration strategic documents: Stabilisation and Association Agreement, European Partnership and European Commission progress reports;

- Coordinate the work process within the Bank of Albania in order to formulate the contributions for the joint EU-Albania structures established to supervise the implementation of the Stabilisation and Association Agreement, such as Stabilisation and Association Council, Stabilisation and Association Committee and the respective sub-committees.

HUMAN AND FINANCIAL RESOURCES

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HUMAN RESOURCES

Towards the implementation of the Medium-Term Development Plan of the Bank of Albania for 2009-11 with regard to human resources, we committed to raising the staff's qualification and training, elevating the academic level, and orienting the Bank of Albania as an institution that has both an administrative and a scientific profile. During this period, the appropriate regulatory and administrative infrastructure was established and consolidated in relation to the Bank of Albania's staff professional development, career management, and research advancement at the Bank of Albania through drafting the regulatory framework and implementing relevant organisational structural changes so as to achieve and implement strategic objectives.

For our institution, achieving the above-listed objectives is an ongoing and essential process for a steady performance and achievement of the Bank of Albania's legal objective.

The staff is a crucial and vital asset of the Bank of Albania. Keeping and strengthening a motivating work environment, as well as professional development and career management contribute to establishing a work and operational culture capable of adapting to constant changes pre-requisite for achieving the best standards for a central bank. They also contribute to a long-term stability and continuity of administrative and work capacities at the Bank.

To achieve these objectives, the following initiatives should be taken:

- Enhance the performance appraisal system towards staff motivation based on individual work results and the required skills for performing the tasks;
- Develop professional skills;
- Provide adequate conditions and encourage higher quality research;
- Organise trainings on management capacity building for new managers;
- Organise trainings on developing specialised skills for existing managers;
- Assess the satisfaction of the Bank of Albania's staff about the work life.

The expected outcome from the above-mentioned measures is the enhanced effectiveness and efficiency of Bank of Albania's activity towards closer approximation to the standards of the ESCB.

FINANCIAL RESOURCES

Bank of Albania's objectives with regard to financial resources are as follows:

- **Approximating Bank of Albania's reporting to International Financial Reporting Standards**

The implementation of International Financial Reporting Standards is a major objective. It is closely related to the whole operational work and data management at the Bank of Albania, information systems and their improvement, organizational support structure, monitoring and control of operational risk, enhanced staff capacities and proper care applied across all the areas.

The indicators pointing to the achievement of these standards are the elimination of deviances identified by the internal and external auditors, deadlines determined for implementing the required improvements and their evaluation by certified auditors.

- **Reviewing the existing accounting manual of the Bank of Albania and drafting of new accounting manual**

The existing accounting manual needs to be reviewed following legislative changes and institutional restructuring. Thus, pursuant to other central banks' practices, we have used additional financial instruments, by applying a wide range of transactions and creating new financial situations vis-à-vis those described in the previous manual. Moreover, this review is also driven by the need for enhanced transparency towards users of financial information produced by the Bank of Albania.

The new manual will reflect the changes that have taken place over the years in the Bank of Albania's organisation, agreements and its partners, and new instruments and procedures. This manual will be also consulted with experts of the field.

The new accounting manual is planned to be completed within 2013.

- **Increasing the efficiency in using financial resources**

The efficiency will be improved through:

- Consolidating measures for fixed assets management by: reviewing regulatory acts, depreciation rates and assets revaluation;
- Monitoring of Bank of Albania's rights and obligations, aiming at eliminating earlier-than-one-year positions in the financial position statement and

- calculating and retaining provisions;
- Reviewing regulations on branches and monetary values of the Bank of Albania; drafting procedures for new relations with the banks on cash in storage; drafting new procedures for the exposure of numismatic values to the public through exhibitions, etc.
- **Strengthening the independence of cost centres**

In accordance with the best practices pursued by central banks, the Bank of Albania aims at strengthening the independence of cost centres through the following:

- Improving budget drafting and monitoring, with a view to conform the indicators of the planned budget to the real spent one;
- Boosting cooperation among cost centres, to realise projects on time and carry out duties according to the planned projects;
- Automating processes that monitor budget reporting by using a sub-module of the budget that reduces manual operations.
- **Strengthening the internal audit of Bank's operations with foreign correspondents**

Given the intensified activity of the Bank of Albania and its participation in a number of projects on foreign reserve management, during 2013-15, the aim is to fully automate the control of foreign currency operations, by implementing new information systems that would eliminate manual operations completely.

MATERIAL RESOURCES

CENTRAL CORPUS

The central corpus of the Bank of Albania rises imposingly in the Scanderbeg Square as one of the country's most important institutions. Built about 70 years ago, this landmark building, a "work of art", is placed under state protection as part of the capital's centre, categorised as an Ensemble Monument of Culture. The time passed and the Bank developed, but its building retained its 70-year-old shape. The building could, therefore, no longer provide for minimum requirements: office space to accommodate staff as well as facilities for other primary, representation and support functions, such as meeting and conference rooms, library, and museum.

The need to renovate and restore the Bank's building was driven by the primary need to increase the functionality of Bank's premises and reinstate the original

Bank of Albania building. As part of the renovation, two new wings will be constructed on the southern and western front, reaching as high as the existing building. The reconstruction work has been approved under the regulatory urban plan for Tirana's centre.

FORMER DAJTI PREMISES

Subsequent to rapid developments in its activities over the past years in terms of quality and quantity, the Bank of Albania needed additional premises to exercise its daily operations. Many unique functions of representation, increasing functional requirements, numerous commitments of the Bank of Albania in international activities, information technology requirements, and a series of other reasons dictated the need for additional work facilities. Under these circumstances, the acquisition of former Dajti Hotel building was a strategic move by the Bank of Albania for a long-term and appropriate solution to provide office facilities and complement the infrastructure of the central corpus.

Built in the 1930s, former Dajti Hotel premises stand only a short distance from the central corpus and, given the spacious facilities and central location, these premises satisfy the needs of the Bank of Albania for office space, and transparency and closeness to the public. The Bank of Albania has drafted plans for the building to serve the Bank's activities. According to these plans, the original design will be reinstated and the glamour it once had will be restituted. The renovation will be implemented in line with the original ideas of the building's architecture taking into account, however, the developments in the new century and the green surrounding landscape. This building, with its rich library, will be a window for direct contact with the public, especially researchers, academia, students and the media.

CASH CENTRE

In the framework of intensifying the operational work and special important processes with regard to the currency issue, the Bank of Albania is close to completing the new cash handling and storage centre. This is a modern centre close to Tirana that includes all operational aspects of cash management and processing in a single station, thus enhancing the Bank's efficiency in this regard. This building will incorporate modern architecture and the European standards in this field, also reflecting the Bank's concrete and tangible contribution to preserving and promoting Albanian architectural values.

Upon the completion of investments in these premises, the institutional model of the Bank of Albania will be further approximated to that of the ESCB. On

the other hand, it will be a great contribution to preserving and promoting the cultural heritage of Tirana, as well as educational and scientific activities on central banking and finance.

INTERNATIONAL COOPERATION

Cooperation with central banks and international financial institutions during 2013-15 will focus on:

- **Relations with central banks and technical assistance**

During 2013-15, the Bank of Albania will aim to intensify the bilateral relations and technical co-operation established with central banks of SEE countries and beyond, including member banks in the ESCB. In addition to further strengthening the relations with counterpart institutions, the Bank of Albania aims at obtaining technical assistance to build human and institutional capacities.

More specifically, the technical assistance will be in the form of study visits, workshops and internships at the Bank of Albania as well as in central banks and supervisory authorities of the region and beyond, in compliance with the strategic objectives of the institution.

In the framework of the European integration process, specifically concerning the legal, institutional, and operational approximation to the ECB and ESCB, a primary objective will be drawing from the experience of CEE central banks, ESCB members since 2004-07, and other central banks from candidate countries.

During 2013-15, the Bank of Albania will continue to foster relations and cooperation with central banks of the SEE countries and beyond, through active participation in meetings in the framework of the Central Bank Governors' Club of Central Asia, Black Sea Region and Balkan countries, Governors' Club of francophone countries, meetings of the European Fund for Southeast Europe, etc.

The Bank of Albania will pay particular attention to relations with the Central Bank of the Republic of Kosovo, continuing the implementation of the cooperation agreement and offering regular training to exchange experience on central banking issues.

- **Cooperation with international financial institutions**

During 2013-15, another pivotal objective of the Bank of Albania will be to develop and intensify relations with international financial institutions such as

the International Monetary Fund, the World Bank Group, Bank for International Settlements and European Bank for Reconstruction and Development.

With the IMF, the aim will be to continue with the technical assistance in the field of monetary policy, banking supervision, macroeconomic modelling and inflation forecasting, compilation of statistics, implementation of international accounting and payments standards, etc.

With the World Bank Group, the aim will be to continue with the technical assistance in the field of foreign reserve advisory, management and investment activities; subsequently, the implementation of the Portfolio Analytics Tool II (PATII) will be projected in order to improve the infrastructure of the information technology to support foreign reserve management. In addition, technical assistance will continue in the field of banking supervision, focusing on cooperation with regard to credit risk management and non-performing loans.

Moreover, in the context of cooperation with international institutions, our aim is to successfully implement the Financial Sector Development Program in cooperation with the Financial Services Volunteers Corps (FSVC), to further enhance the expertise and build the capacities of human resources.

Similarly, during 2013-15, based on the very good existing relations with the Bank for International Settlements (BIS), the Bank of Albania aims to continue its active engagement in this institution, through participation as an observer in BIS forums. Bank of Albania's staff participation in workshops and trainings on financial system supervision organised by the Financial Stability Institute will be another goal for assistance with regard to standardising supervision rules on certain segments of the financial sector and issues that pertain to central bank governance.