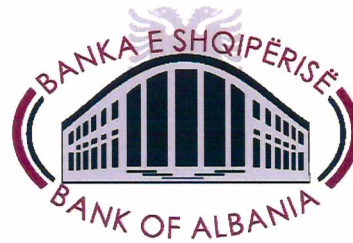




Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO



Memorandum of Understanding

between the

Swiss State Secretariat for Economic Affairs (SECO)

and

Bank of Albania

concerning the

Implementation of the second phase of the Bilateral Assistance and Capacity Development for Central Banks (BCC) Programme (2018-2022)

Considering the participation of Bank of Albania (BoA) in the first phase of the BCC Programme (the "Programme") from 2012-2017 and the needs assessment conducted jointly to identify the priority areas for its second phase;

Considering the contract between SECO and the "Fondation pour l'institut de hautes études internationales et du développement" (the "Implementing agency") regarding the "Implementation of the SECO Bilateral Assistance and Capacity Building for Central Banks (BCC) Program Phase II" dated 22.12.2017;

In view of realising the Programme of work 2018 – 2022 (Annex 2), which defines the thematic priorities, implementation timelines and modalities for the second phase of the Programme;

The parties agree as follows:

1. Purpose

This Memorandum of Understanding (the "MoU") between the Swiss State Secretariat for Economic Affairs (SECO) and Bank of Albania (the "Parties") lays out their respective roles and responsibilities in the implementation of the second phase of the Programme.

2. Objectives

Based on the needs assessment, the Implementing agency together with Bank of Albania have defined the operational and measurable results to be achieved in the second phase of the Programme, the required activities as well as the department(s) involved within Bank of Albania, as reflected in the country logframe (Annex 1) and the Programme of work (Annex 2).

3. Areas of Cooperation

The Parties define the areas of cooperation as covering a subset of the following six thematic areas:

- Monetary policy analysis and implementation: constructing different scenarios to analyse policy effects and inform monetary policy decision-making.
- Macroeconomic accounting and statistics: conducting surveys and compiling data to inform policy.
- Financial stability: monitoring the financial sector to avert or mitigate risks.
- Financial sector development: strengthening the financial sector.
- Operational risk management: ensuring the central banks' business continuity.
- Human resource management: strengthening professional profiles, recruitment and promotion systems.

The specific focus areas of support for Bank of Albania are outlined in Annex 1 and 2 (the logframe and Programme of work). However, the Parties recognise that the need may arise to adjust the programme of work and logframe in light of new development over the course of Phase 2.

4. Responsibilities of SECO

The responsibilities of SECO include to:

- Provide a minimum grant of 710,000 CHF towards cooperation with Bank of Albania, according to its contract with the Implementing agency and in line with the Cost sharing agreement (c.f. Annex 3), for the implementation of the second phase of the Programme (the "Contribution");
- Monitor the Implementing agency;
- Assess and evaluate project progress on a semi-annual basis.

5. Responsibilities of the Bank of Albania

The responsibilities of Bank of Albania include, but are not limited to:

- Take all actions necessary for carrying out the activities described in Annex 2, including the provisions of funds in local currency, facilities and services;
- Ensure that all activities are conducted and coordinated in accordance with sound administrative policies and procedures;
- Report periodically on the status of the implementation of the Programme, including the financial, human and other resources that are made available internally;
- Provide in a timely manner all information regarding the activities and the use of the Contribution, as SECO and the Implementing agency shall reasonably request;
- Exchange views regularly with the SECO and the Implementing agency on the progress and results of the Programme;
- Give access to SECO and the Implementing agency and its international experts to its premises as necessary for the implementation of the Programme;
- Use all goods and services financed by the Contribution exclusively for the purpose of the Programme.

6. Principal Contacts

For SECO:

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Programme Manager
Macroeconomic Support

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For Bank of Albania:

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Advisor to the Governor

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Mr. Andi Bala
Head of Human Resources Department

Sheshi "Skënderbej", Nr.1, Tiranë
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abala@bankofalbania.org

7. Use of Intellectual Property

The parties agree that any intellectual property, which is jointly developed through activities covered by this MoU, can be used by either party for non-profit, non-commercial purposes without obtaining consent from and without any need to account to the other party.

All other intellectual property used in the implementation of the MoU will remain the property of the party that provided it. This property can be used by either party for purposes covered by the MoU but consent will be obtained from the owner of the property before using it for purposes not covered by the MoU.

8. Confidentiality

The Parties will not share any data and/or information provided to and/or developed through the Programme with third parties without the written consent of the other Party. The Implementing agency and any of its sub-contractors have the same obligation and have entered into corresponding confidentiality agreements with SECO.

9. Common concern

The Parties share a common concern in the fight against corruption, which jeopardises good governance and the proper use of resources needed for development. They declare, therefore, their intention of combining their efforts to fight corruption and, in particular, declare that any offer, gift, payment, remuneration or benefit of any kind whatsoever, made to whomsoever, directly or indirectly, with a view to being awarded a mandate or contract within the framework of this MoU, or during its execution, will be construed as an illegal act or corrupt practice. Any act of this kind constitutes sufficient grounds to justify immediate annulment of this MoU or for taking any other corrective measure laid down by the applicable law.

10. Dispute Resolution

Any disagreement between the Parties, related to the interpretation or the application of this MoU, shall be settled through diplomatic negotiations.

11. Effective Dates and Amendments

This MoU shall take effect upon signing by both Parties and shall remain in effect for a period of four (4) years from that date.

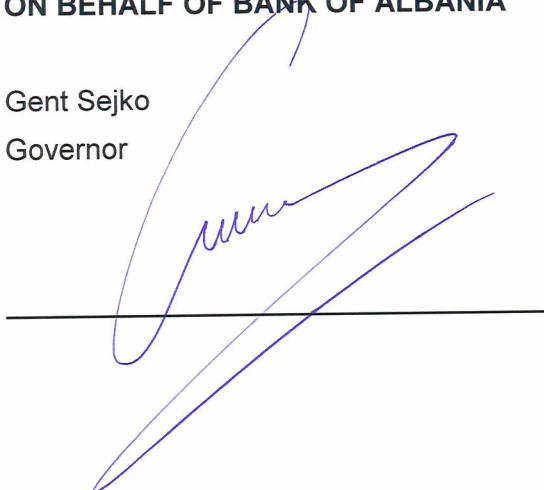
This MoU may be amended or extended only by mutual written agreement.

Any Party may terminate this MoU by giving thirty (30) days prior written notice to the other Party.

This Memorandum of Understanding is signed in Tirana on March 1, 2019 in two originals in the English language.

ON BEHALF OF BANK OF ALBANIA

Gent Sejko
Governor



**ON BEHALF OF THE SWISS STATE
SECRETARIAT FOR ECONOMIC
AFFAIRS**

Adrian Maître
Ambassador of Switzerland in Albania



Annexes

1. Logframe
2. Programme of work 2018 – 2022
3. Cost-sharing arrangement

Annex 1. Logframe

Strategy of Intervention	Key Performance Indicators	Means of Verification	Baseline	Target
<p>Impact</p> <p>BoA capacities to conduct a sound monetary policy and ensure financial stability are strengthened in order to contribute to macroeconomic stability</p>	<p>Impact Indicators</p> <p>BoA has analytical and conceptual capacities and tools available to assess the macroeconomic situation and improve decision making</p>	<p>- IMF and WB reviews (e.g. Art. IV)</p>	<p>-</p>	<p>-</p>
<p>Outcome 1: Monetary policy analysis and implementation</p> <p>- Senior management makes monetary policy decisions informed by improved forecasting capacities</p> <p>- The research department adopts best practices in research</p>	<p>Outcome Indicators</p> <p>- Senior management reports making monetary policy decisions using enhanced forecasting tools</p> <p>- Number of research papers produced</p>	<p>- Interview with senior management</p> <p>- Draft papers</p>	<p>- Senior management relies on some forecasting results for decision making</p> <p>- Research has a strategy and is in line with the Midterm Development Plan 2018-2020</p>	<p>- Senior Management reports making policy decisions bases on improved forecasts</p> <p>- Papers drafted are at the forefront research</p>
<p>Outputs</p> <p>- Forecasting tools are upgraded</p> <p>- The forecasting rounds</p>	<p>Output Indicators</p> <p>- The GAP model is upgraded to include structural breaks</p> <p>- Staff and management use upgraded tools effectively</p> <p>- Forecasting process has</p>	<p>- Insights from internal reporting or publication</p> <p>- Insights from internal reporting or publication</p> <p>- Observation during monitoring visit</p> <p>- Insights through internal</p>	<p>- Tools are available but not precise enough to provide guidance to the Supervisory Board on policy rate adjustments.</p> <p>- Forecasting rounds have</p>	<p>- The medium-term Gap model provides more precise forecasting (quantitative target)</p> <p>- All staff in the Monetary Policy department report more confidence in applying new tools and incorporating structural breaks analysis</p> <p>- Forecasting process</p>

Strategy of Intervention	Key Performance Indicators	Means of Verification	Baseline	Target
<ul style="list-style-type: none"> - include upgrades - Staff have improved forecasting capacities - Review how other central banks' research department are organised & adapt (if needed) process 	<ul style="list-style-type: none"> - been updated - Staff and management satisfaction with updated forecasting process - Operational guidelines developed - There are clear roles and responsibilities for updating the operational guidelines and sharing them with new staff - Staff and management report own forecasting capabilities improved - Review created 	<ul style="list-style-type: none"> - reporting of MP department - Observation during monitoring visit - Internal documents (operational guidelines) - Internal documents (operational guidelines) - Observations during monitoring visits, insights through exchanges with focal point, expert, senior management, staff - Draft document and observations during monitoring mission by Project Manager 	<ul style="list-style-type: none"> - not yet included all upgrades to forecasting tools - Currently no operational guidelines available - Some international cooperation 	<ul style="list-style-type: none"> - improved - Sustainability of assistance - Operational guidelines developed - Clear roles and responsibilities for updating the operational guidelines and sharing them with new staff - Staff and management are confident that new staff can be trained to the same level of capabilities - Research department has a deeper understanding of best practices in research
<p>Outcome 2: Enhanced financial stability</p> <ul style="list-style-type: none"> - Senior management formulates macro-prudential policy using enhanced knowledge of banking contagion and real estate risks 	<p>Outcome Indicators</p> <ul style="list-style-type: none"> - Senior management reports using enhanced tools, by including other sectoral risks 	<ul style="list-style-type: none"> - Interviews with senior management - Evidence of reference to the banking contagion and real estate risks in internal reports 	<ul style="list-style-type: none"> - Policy decision relying on macro prudential tools is limited 	<ul style="list-style-type: none"> - Senior management decision making make use of enhanced tools
<p>Outputs</p>	<p>Output Indicators</p>			

Strategy of Intervention	Key Performance Indicators	Means of Verification	Baseline	Target
<ul style="list-style-type: none"> - The Financial Stability department include contagion risk into their macro prudential analysis 	<ul style="list-style-type: none"> - Contagion risks included in macro prudential analysis - Staff and management confirm macro prudential analysis has improved 	<ul style="list-style-type: none"> - Interviews with experts, staff and senior management - Observations during monitoring visits; exchanges with focal point, experts, staff and senior management 	<ul style="list-style-type: none"> - Contagion risk not included in the analysis 	<ul style="list-style-type: none"> - The Financial Stability department include contagion risk into their macro prudential analysis
<ul style="list-style-type: none"> - The Financial Stability department has a unified view of risks within the stress testing model 	<ul style="list-style-type: none"> - Multiple risk factors are combined in a single stress test - Staff and management use updated stress testing model 	<ul style="list-style-type: none"> - Stress test analysis - Interviews with expert, staff and senior management - Insights from internal reporting - Observations during monitoring visits 	<ul style="list-style-type: none"> - Stress testing not unified - Stress testing not unified 	<ul style="list-style-type: none"> - Multiple factors are combined in a single stress test - Multiple factors are combined in a single stress test
<ul style="list-style-type: none"> - The Financial Stability department includes real estate in prudential instruments 	<ul style="list-style-type: none"> - The real estate is included in prudential instruments - Staff and management satisfaction with updated instruments 	<ul style="list-style-type: none"> - Internal publications - Observations through monitoring missions - Internal publications - Observations through monitoring missions 	<ul style="list-style-type: none"> - Real estate sector not taken into account in the analysis 	<ul style="list-style-type: none"> - Real estate sector is included in prudential instruments - Staff and management reporting use upgraded tools

Annex 2. Programme of work 2018-2022

STEP	ACTIVITY	EXPERT (TBC)	TIME FRAME (suggested, shorter if achieved more quickly)
Monetary policy analysis and implementation	1. Expert Review	Hynek Hrebicek	Semester 2 2018 - Semester 2 2019 (Either two weeks on-site, plus small distance component, OR one week on-site, plus longer distance assistance)
	2. Forecasting round (s)	Hynek Hrebicek	Semester 1 2020 - Semester 1 2021 (Two weeks on-site, plus distance follow-up equivalent to 5 days)
	3. Operational guidelines & evaluation	Hynek Hrebicek	Semester 2 2021 - Semester 1 2022 (one week potentially on-site with distance equivalent 5 days)
	4. Research pushed to forefront	TBC	Semester 1 2019 – Semester 2 2022
Enhanced Financial Stability	Peer to peer	TBC	TBC
	1. Modelling of inter-bank connectedness and contagion risk	Adam Gersl	Semester 2 2018 - Semester 1 2020 (Two weeks on-site, plus distance follow-up equivalent to 5 days) One week on-site, plus distance follow-up equivalent to 5 days
	Other sector risk, including with non-bank financial institutions (if budget permits)	Adam Gersl	One week on-site, plus distance follow-up equivalent to 5 days

STEP	ACTIVITY	EXPERT (TBC)	TIME FRAME (suggested, shorter if achieved more quickly)
2. Combine risk factor	Developing an unified view of risks within the stress testing model	Prof. Eric Jondeau	Semester 2 2020 - Semester 1 2021 (one week on-site, plus distance assistance equivalent to 10 days)
3. ID instrument to address macroprudential risk	The real estate sector is included in prudential instruments Peer to peer	Adam Gersl TBC	Semester 2 2021 - Semester 1 2022 (one week on-site, plus distance follow-up equivalent to 5 days) TBC

Annex 3. Cost-sharing arrangement

Activity type	SECO/Implementing agency	Bank of Albania
<i>Technical assistance</i>	Honorarium, per diem and flight tickets for experts.	Hotel, taxi, invites the experts for lunch or dinner and presentation facilities.
<i>Annual conference in Geneva</i>	Flight tickets and hotels for one person per paper accepted and one senior representative as panellist (paper authors travel economy class; senior representative travels business class if flight longer than 6 hours, dinners, coffee breaks.	Flight tickets and hotels for other participants from BoA.
<i>Technical workshop (if organised and hosted by BOA)</i>	Honorarium, per diem, hotel and flight tickets for keynote speakers. Tickets for other presenters from partner countries.	Meeting rooms, infrastructure, IT facilities, dinners, coffee breaks and, all local transportation for all participants.
<i>Technical workshop if BOA is participating at a workshop in a different location</i>	Flight Tickets for 1-2 presenters from BOA.	Hotel for its own participants, food not covered by the host institution Flights for additional participants.
<i>Coaching Programme (CP)</i>	Research support for the beneficiaries of the coaching programme, up to one week of accommodation in Geneva and the per diem during that week.	The salary of the researcher, access to data to conduct the research and allocation of time to finish the paper. One flight ticket to interact with the supervisor in Geneva or elsewhere, if agreed by employer.
<i>Visiting Programme (VP)</i>	Research support for the beneficiaries of the visiting programme, travel (1 return trip), accommodation, teaching fees, material and the per diem.	BoA keeps paying the salary of the visitor and an additional trip (if necessary).
<i>Peer-to-peer assistance (if provided by BOA)</i>	Tickets and per diem costs if staff from BOA travel.	The staff time dedicated to the peer-to-peer missions.

<p><i>Peer-to-peer assistance (if BOA benefits)</i></p>	<p>Tickets if staff from BOA travel or tickets for experts from another central bank if they travel to BOA.</p>	<p>Accommodation, taxi and lunch/dinner invitations.</p>
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