



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

State Secretariat for Economic Affairs SECO



# Memorandum of Understanding

Between the

The Swiss State Secretariat for Economic Affairs (SECO)

And

Bank of Albania

Concerning the

## Implementation of the SECO Bilateral Assistance and Capacity Development for Central Banks (BCC) Programme Phase III (2023-2028)

The Swiss State Secretariat for Economic Affairs (SECO) and Bank of Albania (BoA), hereinafter referred to individually as a "Party" and jointly as the "Parties";

**HAVING** regard to the friendly relations between Albania and Switzerland;

**CONSIDERING** the participation of BoA in the first phase of the BCC Programme (the "Programme") from 2012-2017 and in the second phase from 2017-2023 and the needs assessment conducted jointly to identify the priority areas for its third phase (2023-2028);

**CONSIDERING** the contract between SECO and the Fondation pour l'Institut de hautes études internationales et du développement (IHEID, the "Implementing agency") regarding the "Implementation of the SECO Bilateral Assistance and Capacity Building for Central Banks (BCC) Programme Phase III" dated 31.05.2023;

**IN VIEW** of realising the Programme of work 2023-2028 (Annex 1), which defines the thematic priorities, implementation timelines and modalities for the third phase of the Programme;

**PURSUANT TO** the prevailing laws and regulations of their respective countries;

**RECOGNISING** the key role of central banks in contributing to macroeconomic stability and economic development;

**HAVE AGREED** the following understanding:

## **Article I                      Definitions**

In this Memorandum of Understanding (MoU), unless the context requires otherwise, the below terms shall have the following meaning:

- a) "BoA" refers to the Bank of Albania - the Central Bank of Albania.
- b) "BCC" refers to the Bilateral Assistance and Capacity Development for Central Banks.
- c) "MoU" refers to this Memorandum of Understanding between the Swiss State Secretariat for Economic Affairs (SECO) and the Bank of Albania (BoA) for Implementation of the SECO Bilateral Assistance and Capacity Development for Central Banks (BCC) Programme Phase III (2023-2028).
- d) "SECO" refers to the Swiss State Secretariat for Economic Affairs.
- e) "Programme" refers to the Implementation of the SECO Bilateral Assistance and Capacity Building for Central Banks (BCC) Programme Phase III" dated 31.05.2023.
- f) "Implementing agency" refers to the Fondation pour l'Institut de hautes études internationales et du développement (IHEID).

## **Article II                      Purpose of the Memorandum of Understanding**

This MoU between the SECO and BoA lays out their respective roles and responsibilities in the implementation of the third phase of the Programme in Albania.

## **Article III                      Goals and Objectives**

The goal of this MoU is to set common agreed-upon principles and key aspects of the collaboration between SECO and BoA, through the BCC programme for the period of this MoU. The BCC programme aims to provide technical assistance to partner Central Banks to:

- Conduct sound monetary policy
- Promote a stable, efficient and inclusive financial sector
- Be more resilient, sustainable and efficient in their operations

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

## **Article IV                      Areas of Cooperation**

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

- Monetary policy analysis and implementation: developing tools and scenarios to analyse policy effects, inform decision-making and implement policy
- Macroeconomic data and statistics: conducting surveys, compiling data and improving data quality to match international standards and to inform policy.
- Research: strengthening the institutional structure and operational aspects of how research is conducted at the central bank, supporting researchers to conduct high-quality research and to enhance the communication of their research to inform decision making and market awareness.
- Financial stability: monitoring the financial sector to avert or mitigate risks and operationalize stress-tests that are country specific.

- Financial inclusion: improving the understanding of the gaps in financial inclusion and how addressing these gaps.
- Payment systems: develop tools and systems (including digital solutions) to transmit monetary policy efficiently and provide access to financial/payments services
- Environmental sustainability: understanding the implications of environmental sustainable across the Central Bank's mandate and operations (with special attention to the financial sector)
- Resilience and risk management: improving the central bank's preparedness to face critical risks and ensuring their business continuity.
- Human resource and international cooperation management: strengthening recruitment, career development and staff retention systems and managing international cooperation more effectively.

The specific focus areas of support for BoA are outlined in Annex 1 (Programme of work). However, the Parties recognise that the need may arise to adjust the programme of work in light of new development over the course of phase 3.

#### **Article V                      Responsibilities of SECO**

The responsibilities of SECO include to:

- Provide technical assistance towards the cooperation with BoA, according to its contract with the Implementing agency and in line with the Cost sharing agreement (c.f. Annex 2), for the implementation of the third phase of the Programme (the "Contribution");
- Monitor the Implementing agency;
- Assess and evaluate project progress on a semi-annual basis.

#### **Article VI                      Responsibilities of BoA**

The responsibilities of BoA include, but are not limited to:

- Take all necessary actions for carrying out the activities described in Annex 1, 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 during the annual BCC monitoring missions on the status of the implementation of the Programme, including the financial, human and other resources that are made available internally;
- Provide feedback through forms and/or surveys in a timely manner regarding the activities and the use of the Contribution, as SECO and the Implementing agency shall reasonably request;
- Exchange views in writing or orally 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.



## **Article VII Mutual responsibilities of the Parties**

The Parties are committed to mutual cooperation in the realisation of the MoU objectives. The Parties shall promptly inform in writing each other of any situation arising which may have a bearing on the implementation of the Programme.

## **Article VIII Principal Contacts**

For SECO:

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For BoA:

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gkolasi@bankofalbania.org

## **Article IX Publicity**

There will be appropriate information and communication actions about the Programme. Any activity financed with the Contribution will mention the Swiss Government – SECO's sponsorship. The BoA's involvement and support will get equal recognition through the use of their logotypes (including the logo size, copy references, etc.).

## **Article X Use of Intellectual Property**

The Parties agree that any intellectual property rights on materials, which is jointly developed such as models, tools and guidelines through activities covered by this MoU, will be owned jointly by the Parties. This intellectual property rights on materials can be used by either Party for non-profit, non-commercial purposes without obtaining prior written consent from and without any need to account to the other Party.

All other intellectual property rights on materials, which is used and / or developed by one of the Party for the implementation of the MoU, will remain in the property of the corresponding Party. In any case this property can only be used by either Party for purposes covered or not by the MoU with a prior written consent from the owner of the property.

## **Article XI                      Confidentiality**

The Parties will not share and/or disclose during and after the realisation of the Programme any data and/or information provided to and/or developed through the Programme and/or cooperation activities under this MoU to any 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.

Each Party shall undertake to observe the confidentiality and secrecy of documents, information, and other data and materials received from or supplied, directly or indirectly to the other Party during and after the period of the implementation of this MoU.

The provisions of this Article shall not prejudice the prevailing laws and regulations of the Parties. The Parties agree that the provision of this Article shall continue to be binding between the Parties notwithstanding the termination of the MoU.

## **Article XII                      Anti-corruption**

The Parties share a common concern in the fight against corruption, which jeopardises good governance and the proper use of resources needed for development, and, in addition, endangers fair and open competition based on price and quality. The Parties 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 or accepted, 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 termination of this MoU according to Article XIII or for taking any other corrective measure laid down by the applicable law. The Parties shall promptly inform each other of any well-founded suspicion of an illegal act or corruption practice.

## **Article XIII                      Dispute Resolution**

Any disagreement, differences and/or disputes as arising out of the interpretation and/or the implementation of the provisions of the present MoU shall be resolved amicably through consultation and negotiation between the Parties, based on mutual benefit, equality, cooperation, and mutual trust.

## **Article XIV                      Entry into force, Duration and Termination**

This MoU shall enter into force upon last signature of the Parties and shall remain in effect until the 31.05.2028.

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

Notwithstanding the preceding, either Party can terminate the present MoU with immediate effect in case of substantial breach (e.g. Anti-corruption clause XI) of the MoU.

The termination of this MoU shall not affect the validity and duration of any other agreements made pursuant to this MoU and any other ongoing programmes and/or projects undertaken under this MoU until the completion of such programmes and/or projects.

## **Article XV Modifications and Amendments**

Any modifications or amendments to the present MoU initiated by a Party shall be made in writing with the consent of both Parties. The documents enacted in this form represent an inseparable part of the present MoU and enter into force upon its latest signature.

## **Article XVI Liability**

The Swiss Government does not assume any risk or liability for any harm, damages or any other adverse effects derived from the Programme, including, but not limited to, any planning inconsistencies in the Programme itself, any other projects that might affect it, or the public's discontent.

## **Article XVII Components**

The following Annexes are integral part of the present MoU:

- a) Annex 1: Overview of Theory of Change and Programme of Work 2023-28
- b) Annex 2: Cost-Sharing Agreement

IN WITNESS WHEREOF, the undersigned have signed this MoU.

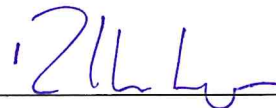
Done in two copies.

**ON BEHALF OF BANK OF ALBANIA**



Gent Sejko  
Governor

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



Ruth Huber  
Swiss Ambassador in Albania

Place and Date:

Tirana, June 19<sup>th</sup>, 2023

*Annexes encl.*



## ANNEX 1: Overview of Theory of Change and Programme of Work 2023-2028

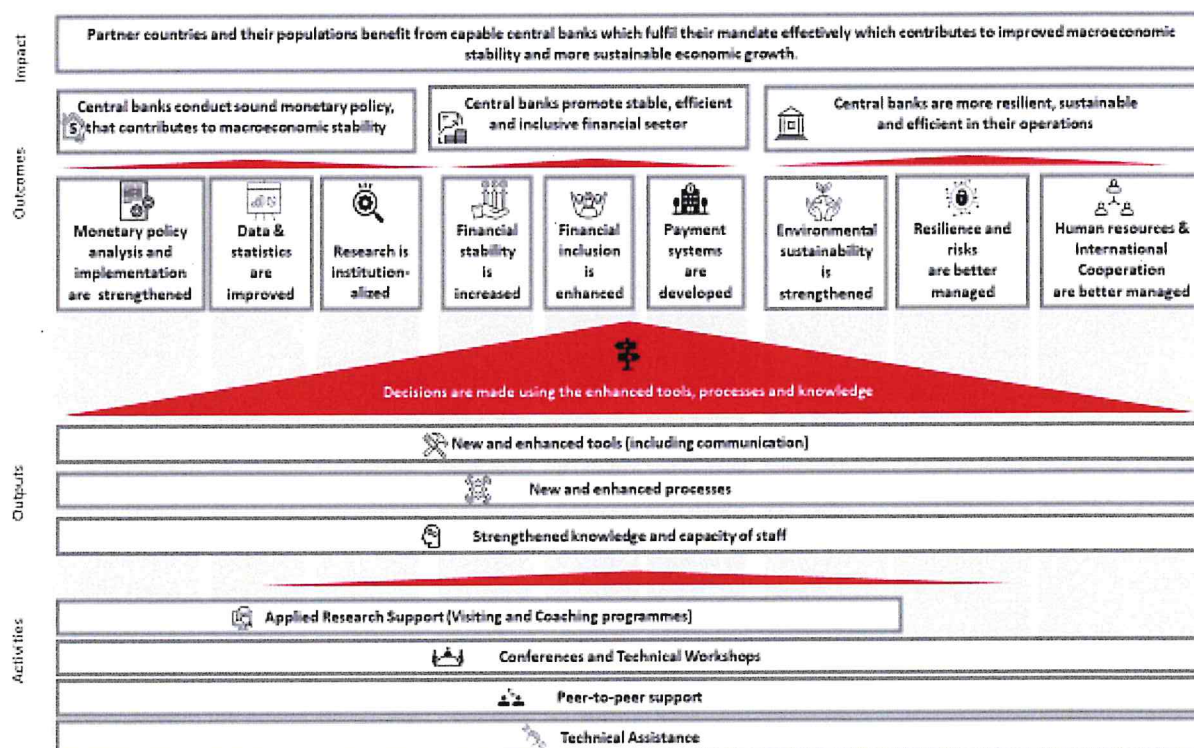
The Bilateral Assistance and Capacity Development for Central Banks (BCC) programme supports central banks in emerging countries to be more effective, through tailored capacity building. The BCC programme, funded by Swiss State Secretariat for Economic Affairs (SECO) and implemented by the Geneva Graduate Institute aims to support partner central banks in emerging countries in building the analytical and technical expertise to conduct effective monetary policy, promote stable and efficient financial sector, and be more sustainable.

Through the BCC programme, SECO seeks to support partner countries and their populations so that they can benefit from capable central banks that fulfil their mandate effectively and contribute to improved macroeconomic stability and more sustainable economic growth.

The support is tailored to the central bank’s specific needs across a subset of the areas of cooperation outlined in Article IV of this MoU. The priority areas have been co-identified with the central banks, through a needs assessment mission and follow-on conversations.

The programme delivers its tailored support through the following capacity-building components: i) technical assistance (TA), ii) peer-to-peer learning, iii) applied research through visiting and coaching programmes (VP/CP), iv) conferences in Switzerland and technical workshops in partner countries, and v) other, as needs/opportunities emerge.

The figure below provides an overall, simplified Theory of Change of the Programme.



The high-level of programme of work outlined below provides an indicative overview of the key priority areas for Phase III of the BCC programme over the period 1 June 2023-31 May 2028 based on the on the needs assessment exercise and subsequent exchanges conducted in the first semester of 2023. However, the Parties recognise that the need may arise to adjust the programme of work and log frame in light of new development over the course of Phase III.<sup>1</sup>

<sup>1</sup> Notes:

Impact objective: the Bank of Albania (BoA) contributes to monetary and financial stability in the country. This objective will be reached via improved models, data, skills and targets.

### **(1): Monetary policy analysis and implementation**

In order to assist the BoA to estimate policy simulation tools, the BCC will assist the BoA in reaching the following outcomes:

Outcome 1.a: The BoA can estimate alternative policy scenarios, using a medium-term DSGE model

#### **Output 1.a.1: Create a small-scale Real Business Cycle (RBC) model**

Goal: Starting with such a small model is initially more tractable for the team, and is good learning exercise for the staff handling the model (TA, peer to peer, VP/CP). Timeline: 2023-2024

#### **Output 1.a.2: Enlarging sectors and including frictions**

Goal: Continuing developing the model (TA, peer to peer, VP/CP). Timeline: 2024-2025

#### **Output 1.a.3: Calibration/estimation to Albanian specificities**

Goal: Albania is a small open-economy, which requires different assumptions and sectors than a standard DSGE (dynamic stochastic general equilibrium) model. Moreover, this objective will also allow the expert to create appropriate documentation in case of future training needs on the model (TA, peer to peer, VP/CP). Timeline: 2025-2027

### **(2) Data & Statistics**

In order to assist the BoA in strengthening its statistical reporting, the BCC will assist the bank in reaching these outcomes:

#### **Outcome 2.a: The BoA reports its national financial accounts at the quarterly frequency**

##### **Output 2.a.1: The financial statistics department is equipped with templates of quarterly accounts**

Goal: The department will be able to report data to International Financial Institutions at a higher frequency, leading to better decision-making (TA). Timeline: 2024-2026

##### **Output 2.a.2: Process check and adaption**

Goal: Troubleshooting and ensuring reporting process is achieved (TA). Timeline: 2026

#### **Outcome 2.b: The BoA has a consolidated credit registry, leading to more granular decision making**

##### **Output 2.b.1: Review balance sheet available in tax records**

Goal: The current tax records have more granular and consistent credit data than the credit registry; this first step will be to review what is available (TA). Timeline: 2024-2026

##### **Output 2.b.2: Consolidation**

Goal: Troubleshooting and ensuring the registry and tax records are consolidated (TA). Timeline: 2027

### **(3) Research**

In order to assist the BoA in strengthening its research, the BCC will assist the bank in reaching these outcomes:

#### **Outcome 3.a: The BoA can take improved de-Euroization policy strategies**

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\* - output relevant to climate change analysis

TA – Technical assistance

CP/VP – coaching/visiting programme

Exchanges – peer-to-peer exchanges or technical workshops with other partner Central Banks/Institutions



### **Output 3.a.1: Theory of CBDC (central bank digital currency) and trade linkages**

Goal: First steps in order to understand potential sources of shocks stemming from a trade partner who uses a CBDC (TA/ workshop). Timeline: 2024-2025

### **Output 3.a.2: De-Euroization strategies and CBDCs**

Goal: Final steps of understanding impact of a trade partner using a CBDC (Workshop/VP/CP). Timeline: 2025-2027

### **Outcome 3.b: The research department is able to give more precise policy recommendations to senior management**

#### **Output 3.b.1: The research department is equipped with modelling skills in panel Vector Autoregression (VAR)**

Goal: The research department needs to analyse data with both time variations and cross sectional dynamic heterogeneities. Such an approach would assist the department in analysing more granular data (TA). Timeline: 2023-2024

### **(4) Financial stability**

In order to assist the BoA in strengthening its financial stability mandate, the BCC will assist the bank in reaching these outcomes:

Outcome 4.a: The bank can take more informed decisions, by estimating price misalignments in the real estate sector

#### **Output 4.a.1: The department is equipped with the fundamentals of the model**

Goal: The department will have a baseline model, from which it can build upon (TA). Timeline: 2023-2024

#### **Output 4.a.2: The department has an improved calibrated model**

Goal: The department will then be equipped with more granular analytical tools, in order to inform financial stability policy decisions (TA-VP/CP). Timeline: 2024

#### **Outcome 4.b: The bank is able to evaluate their macroprudential stance, leading to more informed decision making**

#### **Output 4.b.1: The department is able to estimate the tightness/looseness of the different prudential policies taken**

Goal: Better estimating the capacity for further tightening or loosening of their future prudential stance (TA). Timeline: 2024-2025

#### **Output 4.b.2 The department can identify additional prudential tools, in alignment with their mandate and needs**

Goal: The department will then be equipped with a clearer view of adequate prudential tools the bank could use (TA-VP/CP). Timeline: 2025-2026

### **(5) Payment systems and financial inclusion**

In order to assist the BoA in strengthening financial inclusion, the BCC will assist the bank in reaching these outcomes:

Outcome 5.a: The BoA can report progress made in financial inclusion in communication with government and civil society

#### **Output 5.a.1: Benchmark how countries with similar characteristics have addressed similar target populations**

Goal: In order to reach these population targets, it is important to understand adequate and achievable goals (TA, VP/CP, peer-to-peer). Timeline: 2024-2025

#### **Output 5.a.2: Creating Key performance indicators (KPIs)**

Goal: The bank will be equipped with a formal target to improve financial inclusion in the country (TA, peer to peer). Timeline: 2025-2026

#### **(6) Financial Literacy and Financial Education (Research)**

In order to assist the BoA in strengthening financial education, the BCC will assist the bank in reaching these outcomes:

Outcome 6.a: The BoA can report progress made in financial literacy in communication with government and civil society

##### **Output 6.a.1: Benchmark how countries with similar characteristics have addressed similar target populations**

Goal: In order to reach these population targets, it is important to understand adequate and achievable goals (TA, VP/CP, peer-to-peer). Timeline: 2024-2025

##### **Output 6.a.2: Creating Key performance indicators (Research)**

Goal: The bank will be equipped with a formal target to improve financial education in the country (TA, peer to peer). Timeline: 2025-2026

#### **(7) Climate change and environmental sustainability (Research)**

Since joining the Network for Greening the Financial System (NGFS), the BoA wishes to create new tools to increase their understanding via these outcomes<sup>2</sup>:

##### **Outcome 7.a: The BoA can take improved policy decisions, whilst taking into account climate risks.**

##### **Output 7.a.1: The research department is equipped with a formal model to estimate climate-change impact on the Albanian economy**

Goal: A formal model would help the department in answering ad hoc questions from senior management on potential climate impact on monetary policy (TA, peer to peer for research department). Timeline: 2023-2024

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<sup>2</sup> Since the Financial Sector Advisory Center (FinSAC) is also involved in this objective, both the BCC and FinSAC are coordinating closely to identify who will achieve which objectives with the bank, so these outcomes are to be confirmed.

## Annex 2. Cost-sharing arrangement

Activity type	SECO/Implementing agency	Bank of Albania (BoA)
<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.
<i>Peer-to-peer assistance (if BoA benefits)</i>	Tickets if staff from BoA travel or tickets for experts from another central bank if they travel to BoA.	Accommodation, taxi and lunch/dinner invitations.