

CENTRAL BANKING

**BANK OF ALBANIA
HIGHLIGHTS**
July-December 2023



NEWS AND EVENTS

No. 14





Gent Sejko, Governor of the Bank of Albania

EDITORIAL

Dear Readers,

We have the pleasure to present the next edition of the half-yearly magazine "Central Banking: Bank of Albania highlights" for 2023 H2. The new issue of this magazine presents the activity of the Bank of Albania over the past six months. It shows the efforts and the steps that the Bank of Albania has taken toward fulfilling its main objectives, focusing on the country's economic development and the overall welfare.

The Bank of Albania deems both financial inclusion and education, as two rather crucial strategic objectives for the monetary and financial stability for the formalisation and sustainable growth of the economy. In this context, it has undertaken very important steps, one of which is the approval of the law "On the payment account with basic features".

This law shall provide payment services to all consumers and especially to those individuals who do not own a bank account, free of charge or for a reasonable cost, guaranteeing and enabling the right of every consumer, regardless of their income level, employment status, solvency history, to access payment account with basic services.

More specifically, it is foreseen that for consumers who belong to the group of vulnerable consumers, such as the pensioners, orphans, labour invalids, persons with social and economic assistance, etc., - the provision of services will be free of charge and for the rest of consumers the cost will

be lower compared to the cost needed for other services from a standard form of payment. Consumers, who do not have other accounts, have the right, as per their request, to be provided with a payment account with basic features. Customers who currently have other accounts can, at their request, be provided with a payment account with basic features, by converting an existing account to a payment account with basic services or by opening a new account and closing the existing one.

The approval of this law meets the obligations of the Bank of Albania for the implementation of the Albania National Retail Payments Strategy (2018-2023) and of the European integration process, showing once again that the activity of the Bank of Albania has always been oriented toward the implementation of the commitments and the vision for a common European future.

Bank accounts are essential for participating fully in the life of a modern society. Without one, it is difficult to find a job, make payments or pay the utility bills.

Therefore, this law is one of the most important steps towards guaranteeing access to banking services for the majority of the population. Its implementation is expected to undoubtedly bring people closer to the banks, later on to be transformed into a more engaging mission, using these active accounts for more cashless transactions, more e-Transfers and for remittances that previously could only be received and sent in the form of cash.

GOVERNOR SEJKO AT THE LAUNCHING CEREMONY OF THE FIRST CORPORATE SECURITY LISTING ON THE STOCK EXCHANGE

5 July 2023, Tirana

On 5 July 2023, the Governor of the Bank of Albania, Mr Gent Sejko, participated in the ceremony organized by the Albanian Securities Exchange (ALSE) on the occasion of the first corporate security listing on the stock exchange.

In his speech, Governor Sejko emphasised the importance of listing the first corporate security on the stock exchange, which comes as a result of a decade's worth work by several institutions such as: the Ministry of Finance and Economy, the Albanian Financial Supervision Authority and the Bank of Albania, as well as thanks to the team of experts that

launched the Albanian securities exchange, its shareholders, Credins Bank, the American Investment Bank and AK-Invest.

At the beginning of his speech, Governor Sejko pointed out the benefits that the economy has from the development of the capital market, such as: the improvement of long-term financing of companies; the impact on lowering the country's exposure toward the unexpected interruption of foreign capital; obtaining assistance toward the re-enforcement of the financial market and enhancement of the efficiency of capital distribution in the economy. At the same time, through the investments from non-residents, it helps in ensuring liquidity as well as the geographical distribution of risk; further improves the financial stability of the country, affects the increase in the degree of formalization of the economy, increases the financial transparency of businesses and improves their image; increases the degree of market supervision, as well as improves the good governance practices of the listed companies.





GOVERNOR SEJKO: ADDRESS TO THE ASSEMBLY OF THE REPUBLIC OF ALBANIA PRESENTING THE ANNUAL REPORT OF THE BANK OF ALBANIA FOR 2022

6 July 2023, Tirana

Furthermore, Governor Sejko also focused on the measures taken by the Bank of Albania that serve to create the necessary infrastructure for trading and electronically record the exchange of securities. In this regard, he mentioned the work done to improve payment systems and create deposit institutions, including private ones. Also, Mr Sejko mentioned the Bank of Albania's work in pushing forward the secondary government securities market, to transform it into a more liquid market, capable of cushioning the impact of liquidity risk premia.

On 6 July 2023, Governor Sejko presented the Annual Report of the Bank of Albania for 2022 to the Assembly of the Republic of Albania. Reporting to the Parliament is a legal obligation, through which is fulfilled the institution's accountability and transparency process on its work and results during the year.

Governor Sejko opened his speech by highlighting that a series of frequent, complex and unprecedented shocks have battered the Albanian economy during the recent years. He said that after the earthquake in 2019 and the





pandemic during 2020-2021, in 2022 we faced the economic and financial lingering consequences arising from the Russia's invasion to Ukraine. The new economic and geopolitical reality tested the sustainability of the economic and financial sustainability of Albania, posed serious challenges to Albania enterprises and households, and called for the fast and coordinated response from public authorities.

He highlighted that the achievements of the admirable resilience of the Albanian economy in the face of the ongoing crises of recent years is evidence, first of all, of the dynamism, flexibility and sound balance sheets of Albanian enterprises and households. However, in parallel with them, it also reflects the appropriate reaction of monetary, financial and fiscal policies, as well as the fruits of continuous structural reforms that we have undertaken in the real and financial sector of the economy.

The governor also stated that meeting the mission and legal duties, realising the commitments in view of the medium-term

development strategy, and complying with the recommendations left by the Parliament of Albania for 2022, have been important objectives guiding the activity of the Bank of Albania throughout 2022. He emphasized that the Bank of Albania will continue to lead the work with the same philosophy throughout 2023 and for the years to come.

ROUNDTABLE OF THE BANK OF ALBANIA WITH THE BANKING SYSTEM AND THE ALBANIAN ASSOCIATION OF BANKS

13 July 2023, Tirana

On 13 July 2023, in the premises of the Bank of Albania, a roundtable was held between the Bank of Albania, the Board of Directors of the Albanian Association of Banks and the heads of commercial banks that operate in



our country. The meeting was organized on the initiative and chaired by the Governor of the Bank of Albania, Mr Gent Sejko, in view of building a continuous dialogue with the banking system and bolstering the cooperation on current issues with special importance.

In this meeting, the Bank of Albania presented the assessment on the financial situation in



Albania. Also, developments over this period and the future challenges were at the focus of the discussions. The Albanian economy has a considerable financial soundness as a result of: the continuous improvements in the external sector; the public debt under control; the operational flexibility; and the good levels of balance sheets of the Albanian enterprises. Also, the banking sector has sound balance sheets and a high level of resilience against possible shocks.

In conclusion, the Albanian Association of Banks thanked the Bank of Albania for this very positive and fruitful meeting, availing especially the support provided to the banking

system throughout this challenging period. Both parties expressed their full commitment for the continuation of mutual institutional cooperation, as well as, with the central and local authorities, in order to have a sound and supportive banking sector for the economic growth of Albania.

GOVERNOR SEJKO ATTENDS THE 9TH ECB CONFERENCE ON CESEE COUNTRIES

17 June 2023, Frankfurt, Germany

On 17 July 2023, the Governor of the Bank of Albania, Mr Gent Sejko, attended the 9th ECB conference on central, eastern and south-eastern European (CESEE) countries: "Changing geopolitical landscape – economic implications for central, eastern and south-eastern Europe", organized by the European Central Bank (ECB), in Frankfurt, Germany.



The conference on the CESEE countries is a forum to discuss key economic and financial issues in the region, providing a platform for deepening the understanding of CESEE economies and exchanging views on topical policy issues.



Governor Sejko participated in the session's panel on "A longer-term view – potential structural changes ahead", chaired by Mr Frank Elderson, Member of the Executive Board, European Central Bank



The Governor highlighted that the European integration process is a long-term strategic objective. "This process is a strong promoter for structural reforms, with a view to the full convergence of Albanian institutions with the EU standards, as well as for the overall alignment of policies and regulations. All these actions will deeply improve the

business climate, attract foreign investments and increase the overall productivity of our economy." - said the Governor.

GOVERNOR SEJKO MEETS WITH THE NEWLY APPOINTED IMF RESIDENT REPRESENTATIVE FOR WESTERN BALKANS 7 September 2023, Tirana

On 7 September 2023, the Governor Sejko, and senior officials of the Bank held a work meeting with the delegation from the International Monetary Fund. The purpose of this meeting was to introduce the IMF's new Regional Resident Representative for the Western Balkans, Mr Sebastian Sosa, who will succeed Ms Stephanie Eble, whom successfully completed her mandate. Mr Sosa is an experienced economist, having held a variety of positions in various countries and regions of the world such as: North Macedonia, Serbia, Spain, Chile, Mexico, Bolivia, Uruguay and Lebanon.



Governor Sejko addressed Ms Stephanie Eble at first to express his gratitude for the contribution she made during these years and for the technical assistance provided to the Bank of Albania in a variety of areas

particularly in monetary policy, statistics and banking supervision. Meanwhile, Ms Stephanie Eble commended the work and the results achieved by the Bank of Albania to strengthening the monetary and financial stability of Albania. In particular, Ms. Eble in focusing on the importance of returning inflation to the target expressed the support for the Bank of Albania's measures to continue the normalization of the monetary policy.



They also encouraged the Bank of Albania to keep on monitoring the situation on a regular basis, as well as coordinating the policies with the Albanian authorities, taking the necessary measures at the right time.

GOVERNOR SEJKO MEETS WITH THE MINISTER OF FINANCES AND ECONOMY **22 September 2023, Tirana**

On 22 September 2023, the Governor of the Bank of Albania, Mr Gent Sejko, met with the Minister of Finance and Economy Mr. Ervin Mete, where they discussed the current economic situation in Albania, expectations and the latest economic developments. At the beginning of the meeting, Governor Sejko congratulated Mr Mete for his recent assignment in the new position as the Minister

of Finance and Economy, a crucial institution for the continuing development of Albania.



The Governor said that from the macroeconomic perspective, the economic developments have been positive, the economy has expanded at a satisfactory pace, inflation has been declining progressively, and the economic activity and wages have continued to rise, while the overall economic and financial equilibriums have improved. The Governor added that expectations of the Bank of Albania suggest that the Albanian economy will continue to grow, whereas inflation will return to its monetary policy target of 3% in the next year.



Furthermore, Governor Sejko and Minister Mete concurred that the goal of the monetary and fiscal policy should be coordinated and steered toward safeguarding the economic and financial equilibriums, in Albania. Also, discussions in this meeting focused on the performance of the exchange rate, the growth of lending in Albania, and on the joint projects in continuing the modernisation of payment systems, etc.

Both Governor Sejko and Minister Mete, in conclusion, reiterated their readiness and good will to continue their cooperation and undertake any action necessary to ensure a sustainable growth and preserve the financial stability of Albania.



GOVERNOR SEJKO ATTENDS THE MINISTERIAL FORUM ON ECONOMY, TITLED "COMMON REGIONAL MARKET - A STEP TOWARDS THE EU SINGLE MARKET" 26 September 2023, Tirana

On 26 September 2023, the Governor of the Bank of Albania, Mr Gent Sejko, attend the Economy Ministerial Forum of regional countries hosted in Tirana, in the framework of

the Berlin Process. Governor Sejko participated in the third session panel of Governors, and provided his comments on: "The integration of regional payment systems to facilitate trade exchanges and the preparation of the Western Balkan economies for the Euro area membership". During his speech, Governor Sejko pointed out the importance of the payment systems modernization aiming to formalize and further develop regional economies, particularly the contribution of instant payments in the financial inclusion, money circulation through formal channels,





the increase of competitiveness, reduction of commissions on electronic payments, etc.

Moreover, Governor Sejko highlighted the regional project: “Modernizing the payment system in Western Balkan” continues, while underpinning the development of the Common Regional Market and the Economic Investment Plan for the Western Balkans based on the European Union rules and standards, with a view to increasing the Region’s attractiveness and competitiveness and bringing it closer to the EU markets.

Governor Sejko pointed out that the European Commission has also adopted a comprehensive Economic and Investment Plan for the Western Balkans, which aims to spur the long-term economic recovery of the region, support a green and digital transition, and foster regional integration and convergence with the European Union.

GOVERNOR SEJKO ATTENDS THE INTERNATIONAL SCIENTIFIC CONFERENCE ON “ECONOMIC COOPERATION: CHALLENGES AND PERSPECTIVES AMONG KOSOVO, ALBANIA AND THE REGION”

5-6 October 2023, Pristina, Kosovo

The Governor of the Bank of Albania, Mr Gent Sejko, had an official visit at the Central Bank of the Republic of Kosovo, as the Governor participated in the International Scientific Conference on “Economic Cooperation: Challenges and Perspectives among Kosovo, Albania and the region”, organized in Pristina, by the Academy of Sciences and of Arts of Kosovo (ASAK) and the Academy of Sciences of Albania (ASA).



On the first day of his visit, Governor Sejko met with the new appointed Governor of the Central Bank of the Republic of Kosovo, Mr Ahmet Ismaili, in the CBK premises. Mr Sejko commended Governor Ismaili on his new position, by reconfirming the cooperation and support of the Bank of Albania. Governor Sejko and Governor Ismaili agreed that the ties between the two institutions will continue to be stable and fruitful and that cooperation will be further expanded in the financial sector, including also joint activities in the framework

of financial education.

On the second day of the visit, Governor Sejko attended the International Scientific Conference, organized by the academies of the two countries, to address the perspectives and challenges of the monetary and financial development in Albania and Kosovo. The Governor participated in the first panel of the Conference and provided his comments on "Perspectives and challenges concerning the monetary and financial development as well as the economic integration for the economic



cooperation between Albania and Kosovo, in the framework of regional integration”.

The governor stated that the economies of the two countries have a relatively similar structure of organizing the private sector, as well as of the financial systems in terms of the nature and stage of their development, dominated mainly by banks, which have played an important role regarding the economic development of the countries. Meanwhile, productivity and competitiveness as well as their small size compared to the economy of the Euro area have been and remain the main challenges for both economies.

SECOND DEPUTY GOVERNOR, MS NATASHA AHMETAJ, ADDRESSED THE PRESENTATION OF THE INTERNATIONAL MONETARY FUND REPORT **10 October 2023, Tirana**

On 10 October 2023, the IMF Report on the World Economic Outlook (WEO) was presented at the Bank of Albania. This Report presents the global economic developments in the short run and medium term, based on the economic analyses conducted by IMF staff economists. Inflation and monetary policy are on the focus of this Report. In addition, the IMF introduces its researches and latest assessments regarding the role of the expectation formation process on the current high-inflation environment and its impact on monetary policy.

The Second Deputy Governor of the Bank of Albania, Ms Natasha Ahmetaj, delivered the welcoming address for the participants in this meeting. focusing to the main issues under observation, Ms Ahmetaj said that as



prices rose rapidly, almost all central banks launched a fast monetary policy normalisation course in order to subside inflation, and prevent the corrosion of the purchasing power of households and monetary and financial instability. She emphasized that the interest rates of systemically-important central banks are the ones that, for the most part, determine the global monetary policy trends. In regard to Albania, Ms Ahmetaj added that



the rapid response of the monetary policy is a promising sign, at least in relation to the deceleration of inflation, which is following a downward trajectory. Furthermore, Ms. Ahmetaj, underlined that credibility is a central bank' greatest treasure. As such, it must be meticulously observed in both favourable and unfavourable times, through a coherent and stable monetary policy action and transparent communication.

GOVERNOR SEJKO ATTENDS THE 2023 ANNUAL MEETINGS OF THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK GROUP 12 - 15 October 2023, Marrakesh, Morocco

On 12-15 October 2023, the Governor of the Bank of Albania, Mr Gent Sejko, attended the 2023 Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group (WBG), which took place in Marrakech, Morocco. These meetings represent a high level forum which brings together the most senior decision-makers of the



IMF and the WBG, governors and ministers of finance of the member countries in these international financial institutions, to discuss issues of global concern.

Bank of Albania was represented in the 2023 Annual Meetings by a delegation headed by Governor of the Bank of Albania, Mr Gent Sejko, the First Deputy Governor, Ms Luljeta Minxhozi and other senior officials. In these meetings, Governor Sejko presented to the IMF and WB representatives an overview on the latest developments in the Albanian economy. The Governor stated that Albania, likewise other countries was affected by the adverse global economic shocks. Inflation started to pick up by the end of 2021, accelerated fast at the outbreak of Russia's aggression in Ukraine, peaked in October 2022 and started to decelerate gradually thereafter.

Mr Sejko added that the Bank of Albania - for guaranteeing the monetary and financial stability of the country - embarked on a





monetary policy normalization drive, starting from March 2022. The normalisation was achieved through increasing the base rate from a minimum of 0.50% at the beginning of 2022, to 3.00% as of March 2023.

In this light, Governor Sejko highlighted that the implemented policy was fully data-driven, transparent and efficiently communicated to local stakeholders. He added that, the current policy rate level in Albania is comparatively low compared to both the region and the EU, reflecting a lower overall inflation rate. Meanwhile, forecasts point to a gradual



reduction of inflation, with a return to our 3% target expected by mid-2024.

They commented the positive role and policy implemented by the Bank of Albania, particularly noting the importance of inflation return to the target and the advantages arising from the strengthening of the domestic currency. Last, they concurred that the harmonisation and coordination of policies, both in national and international levels, is a precondition to ensure an optimum environment for a sustainably economy.

Governor Sejko and the representatives of the IMF and WB pointed out to the need and importance of the excellent collaboration among our institutions. In this view, the interlocutors strongly support the continuation of the technical assistance in the future.

GOVERNOR SEJKO MEETS REPRESENTATIVES OF THE INTERNATIONAL MONETARY FUND MISSION

18 October 2023, Tirana

On 18 October 2023, the Governor of the Bank of Albania, Mr Gent Sejko, met with the International Monetary Fund (IMF) Mission team, led by Ms Anke Weber, Mission Chief for Albania. This meeting was held in the framework of 2023 Article IV consultation with the Albanian authorities. Discussions in the meeting focused on the recent economic and financial developments in Albania and their future prospects; the monetary policy implemented by the Bank of Albania aimed at guaranteeing price stability; and the measures taken so far to safeguard and strengthen the banking system's soundness and the financial stability in Albania.



GOVERNOR SEJKO AT THE JOINT PRESS CONFERENCE WITH THE IMF MISSION CHIEF FOR ALBANIA AND THE ALBANIAN MINISTER OF FINANCE AND ECONOMY

27 October 2023

On 27 October 2023, Governor Sejko held a joint press conference with the IMF Mission Chief and the Minister of Finance and Economy, in the framework of periodic consultations on Article IV with the IMF mission in Albania. Discussions in the meeting focused on the current performance of the economy and financial markets in Albania, their outlook, as well as the adequate economic policies and necessary structural reforms that should be implemented and monitored with a view to guaranteeing sustainable development of the country.

Representatives of the International Monetary Fund commended the monetary policy implemented by the Bank of Albania and its key contribution to the monetary and financial stability, as crucial premises for the sustainable and long-term growth. Also, they praised the on-going supervisory and regulatory work of the Bank of Albania and its impact on the positive indicators of the banking sector.

Governor Sejko expressed the opinion of the Bank of Albania on the issues in question. He underlined that the positive economic performance has reflected the flexibility of private sector, its financial soundness, and the adequate reaction of economic policies. He added In compliance with the objective of the Bank of Albania, we have proceeded with the gradual and prudential normalisation of our monetary policy stance. The gradual increase



of the policy rate towards its equilibrium level has aimed at establishing the adequate financial environment for inflation return to the target, within a reasonable time horizon and at the lowest possible costs for the Albanian economy.



He pointed out that the formulation of our monetary policy stance has also taken into account the rapid appreciation of the lek exchange rate against the euro and the fiscal consolidation implemented by public authorities. The Governor also added that the fast appreciation of lek during 2023 has reflected a constant surplus of foreign currency in the domestic market, as a result of the rapid and robust growth in tourism, foreign direct investments and remittances. He said that these factor have enabled us to maintain a lower level of policy rate, thus providing lower financing costs to the Albanian economy, and by easing the financial burden on borrowers.

At the end of his speech, the Governor emphasized that the development prospects of

the country remain positive. He added that our forecasts suggest that the Albanian economy will continue to grow in the following years, while inflation will return to the target of 3% during the next year. This forecast factorises the further decline of inflation across our trading partners and a more balanced performance of demand and supply in the economy.



BANK OF ALBANIA IN THE 6TH WORKSHOP ON RESOLUTION PLANNING **30 October 2023, Vienna, Austria**

On 30 October 2023, the Second Deputy Governor of the Bank of Albania, Ms Natasha Ahmetaj, accompanied by the Head of Resolution Department, Ms Vasilika Kota, attended the 6th Workshop on Resolution planning and meeting the MREL [1] [1] requirements, organised by the European Bank for Reconstruction and Development (EBRD) and Raiffeisen Bank International.

The format of the Workshop consisted in a number panels. In the panel with representatives from the Single Resolution Board and the resolution authorities from Croatia, the Czech Republic, Austria, Poland and Romania, Ms. Kota introduced the steps

taken by the Bank of Albania to establish a successful resolution regime that guarantees the safeguarding of financial stability, being the forerunner of this process in the Balkans. In the framework of the integration process in the European Union, Albania is the first country in Balkans that has transposed the European Directive on the Recovery and Resolution and has also built the complete regulatory framework that accompanies it. In her address in this panel, Ms Kota presented the commitments undertaken by the Bank of Albania in successfully fulfilling the new regulatory requirements for MREL from the banking sector, as well as the challenges posed in view of the approximation with the European framework in Albania.

The Deputy Governor Ahmetaj was invited to the ceremony for the signing of the financial instrument, provided and overview of the continuous commitment of the banking sector for successfully overcoming the challenges to meet the regulatory requirements, at the same standard as the large European banking groups. In particular, the Deputy Governor highlighted the importance of this commitment to guarantee a sound banking system, able to withstand any shock and fully prepared to make a significant contribution to the economic development of Albania.



The EBRD and the OPEC Fund representatives they praised the achievements of the Bank of Albania for the design and implementation of a professional regime in the field of resolution, capable of preserving the best European standards.

HIGH-LEVEL FORUM ON “CLIMATE, MACROECONOMY, AND FINANCE: NAVIGATING RISKS AND DRIVING IMPACTS”

8 November 2023, Tirana

On 8 November 2023, the Bank of Albania in collaboration with the World Bank hosted the High-Level Forum on “Climate, Macroeconomy, and Finance: Navigating Risks and Driving impacts”. Organised under the auspices of the Governor of the Bank of Albania, Mr Gent Sejko, It was organized in two sessions, and the proceedings of the forum were opened by the Governor of the Bank of Albania, Mr Gent Sejko, and the Country Manager of the World Bank, Emanuel Salinas.



In his address, Governor Sejko stated that climate change is no longer a distant threat. On the contrary, it is our present reality that we experience every day, through unpredictable weather events and the intensified probabilities of natural disasters. The Governor highlighted that to continue on the path of sustainable growth, our banks should continuously identify, monitor and manage climate-related risks. In addition, banking sector may play a leading role for companies through “channelling funds” along with “the education of clients” towards business models and investments which comply with environmental responsibilities. The banking system should address this not as a challenge, but as a strategic opportunity.

In this context, the Governor announced that the Bank of Albania and the World Bank have drafted and launched the “Strategy for



the Management and Supervision of Climate-Related Financial Risks to the Financial Sector, 2023-2025”, which is published on the Bank of Albania’s website.

The Country Manager of the World Bank, Mr Emanuel Salinas, in his address re-emphasised the fact that global challenges arising from climate change are present and an undeniable reality. In this regard, the World Bank considers as very crucial





the preparation by all institutions, and more specifically the banking sector, to best address these challenges in order to ensure both the long-term stability and sustainability of the sector, as well as the mobilization of capital towards the adaptation of the green transition.

Mr Salinas, while thanking the Bank of Albania for the cooperation and efforts so far in this regard, stated that in the face of a global issue such as climate change, a comprehensive approach and commitment of all institutions on a global scale is needed.

GOVERNOR SEJKO PRESENTS BOA'S OPINION ON 2024 DRAFT BUDGET TO THE PARLIAMENTARY COMMITTEE ON ECONOMY AND FINANCE

10 November 2023, Tirana

On 10 November 2023, Governor Sejko participated in the session of the Committee for Economy and Finance, to express the opinion of the Bank of Albania on the Draft Budget for 2024.

In the framework of his analysis in terms of macroeconomics and fiscal policy, the Governor stated that the draft budget of 2024 comes to life in a relatively favourable context of economic developments in the country. He said that the Albanian economy has faced a continuous series of challenges in the last

four years: the 2019 earthquake, the 2020-2021 pandemic, as well as the economic and financial consequences of the military conflict in Ukraine. However, the Albanian economy has appeared resilient in an admirable manner, reflecting the flexibility of the private sector, the fruits of the continuous work we have done to strengthen the economic and financial stability; as well as the success of the countercyclical policies we have implemented.



The Governor said that the Bank of Albania deems that fiscal policy should have a twofold priority: on the one hand, this policy should aim at the further consolidation of the economic, monetary and financial stability of the country and, on the other hand, it should increase attention to long-term development challenges. He emphasized that the 2024 budget maintains a good balance between these two objectives.

In the framework of the analysis on increasing the effectiveness and maintaining the flexibility of public finances, the Governor stated that the effectiveness and flexibility of public finances are two very important criteria for judging the degree of fulfilment of two important objectives of fiscal policy: supporting the long-term development of the country and the ability of fiscal policy to react to unforeseen developments. He added that it is encouraging that Albanian public finances have historically had a positive primary balance, which has fluctuated around 1.9% of GDP over the last five years.

In the framework of the analysis on increasing the long-term sustainability of public finances, the Governor stated that the draft budget of 2024 foresees the reduction of public debt, from 61.5% of GDP expected in 2023 to 59.8% of GDP in 2024.



In the framework of the analyses on deficits in health and social insurance schemes, the Governor emphasized that it continue to be a serious challenge for the states' finances, especially in the context of unfavourable demographic trends and the free movement of workforce.

Concluding, regarding the administration of the Public-Private Partnership Programs, the Governor expressed the suggestions on behalf of the Bank of Albania, in the interest of increasing the effectiveness and reducing the potential risks that come from PPP.

GOVERNOR SEJKO RECEIVES THE NEWLY APPOINTED AMBASSADOR OF THE REPUBLIC OF SLOVAKIA

16 November 2023, Tirana

On 16 November 2023, the Governor of the Bank of Albania, Mr Gent Sejko, received in



an official meeting at the Bank of Albania, the newly appointed Ambassador of the Republic of Slovakia, H.E. Mr Albin Otruba. In the meeting, Governor Sejko expressed his gratitude to His Excellency Mr Albin Otruba for the continuous support that Slovakia has provided to Albania, in the framework of the European Integration process. The Governor also expressed his certainty that this support will continue in the future as well.

During the discussion, Mr Sejko provided an overview of the economic developments of Albania, where he emphasized that the economic performance over the current year has been positive, despite the challenging global context. Nonetheless, the economic activity in Albania has continued to expand during 2023. Inflation has subsided, the banking sector appears stable, while tourism and direct foreign investments in Albania have grown. Furthermore, the Governor focused on the monetary policy stance adopted by the Bank of Albania, which has continued on its

gradual and meticulous normalisation path. He added that the effects of this monetary policy are encouraging, as they helped control inflationary expectations and financial markets run smoothly.

Ambassador Otruba commended the role of the Bank of Albania in preserving and guaranteeing the financial stability of Albania, particularly throughout this difficult period. Mr Otruba highlighted the progress of Albania in the framework of the European Union integration process and re-affirmed the full support of Slovakia in this regard.

THE FIRST DEPUTY GOVERNOR, MS LULJETA MINXHOZI, ATTENDS THE HIGH-LEVEL WORKSHOP ORGANISED BY THE EUROPEAN CENTRAL BANK ON THE PAYMENT SYSTEMS DEVELOPMENTS OF CENTRAL BANKS

16 November 2023, Frankfurt, Germany

On 16 November 2023, the First Deputy Governor of the Bank of Albania, Ms Luljeta



Minxhozi, attended the High-Level Workshop on the payment systems developments, organized by the European Central Bank (ECB) in Frankfurt, Germany. This workshop focused on the payment and settlement systems developments, where the ECB presented how the Euro system adopts the mandate related to it, in order to support the common objective of bringing payment system in the Western Balkans closer to the EU standards.

In her speech, the First Deputy Governor, Ms Minxhozi, presented the latest developments in the payment systems adopted in Albania. She highlighted that payment systems and payment markets are related and interlinked closely with the economic transactions among the countries and their economic growth. Ms Minxhozi stated that the “Modernisation of payment systems in the Western Balkans” consists of a series of supportive measures, which engender the development of the Common Regional Market and the Economic and Investment Plan for the Western Balkans.

These developments are focused on the reduction of costs on regional payments; the preparation of the region to join the Single Euro Payments Area (SEPA); and seeking a solution for payments in real time domestically in countries that don't have one currently. The main purpose is also to prepare them to join TIPS, the realtime payments system SIP, which is operated by the ECB.



GOVERNOR SEJKO ATTENDS CAA CONFERENCE 23 November 2023, Tirana

On 23 November 2023, on the occasion of the twentieth anniversary of the Law “On Competition protection”, a conference was organized, where Governor Sejko also participated. In these two decades, the Competition Authority of Albania has implemented a policy which encourages companies to supply products and services at the most favourable terms to consumer, by boosting transparency, efficiency, innovation, and in turn the reduction of prices in the market. He added that a fair and sound competition has a crucial role in the economy of a country. It promotes the country's economic growth, by bolstering commercial activity, productivity, and investments.

Concluding, the governor congratulated the Competition Authority for its achievements and facing numerous challenges in its 20-year journey for the protection of both competition and consumer as well as for the contribution towards increasing the formalization of the economy, restraining unfair competition and encouraging more efficient use of the economy's financial resources.



BANK OF ALBANIA ORGANISES THE 17TH SOUTH-EASTERN EUROPEAN ECONOMIC RESEARCH WORKSHOP 4-5 December 2023, Tirana

On 4-5 December 2023, the Bank of Albania organises the 17th SEE Economic Research Workshop. This workshop aims to provide a discussion forum on the research works and projects carried out at the Bank of Albania over the course of 2023. This annual scientific activity, has been already turned into a solid platform for sharing and discussing key research works on central banking topics. During the two-day proceedings, 37 research papers will be presented and discussed, of which 9 are authored by the Bank of Albania’s researchers.

The Governor of the Bank of Albania, Mr Gent Sejko, opened the workshop proceedings. He stated that the evolution of the workshop’s



agenda reflects the dynamic nature of current challenges we face. Our societies, economies, and financial systems are under strain from various sources: wars, heightened geopolitical tensions, demographic shifts, the escalation of extreme climate events, artificial intelligence and digitalization of finance and money. He added that this workshop will serve to better understand the origin and complexity of these challenges and design the right policies to address them accordingly.

Furthermore, Governor Sejko pointed out that central banks have yet to discover



how to normalize the monetary policy and their balance sheets, in line with pre-crisis positions, without jeopardizing both the economic growth and financial stability. The Governor added that the Bank of Albania has embarked on two major strategies, which support the achievement of the sustainable growth objectives: the climate strategy and the financial education and inclusion strategy – in addition to developing a new focus, the one on digitalization. These initiatives are based and informed by the extensive scientific research taking place at the Bank of Albania on areas covering climate change, financial education and inclusion of households and the private sector.

NINTH MEETING OF THE NATIONAL PAYMENT SYSTEMS COMMITTEE

13 December 2023, Tirana

On 13 December 2023, the National Payment Systems Committee (NPSC) held its ninth meeting in the premises of the Bank of Albania. The meeting was chaired by Ms Luljeta Minxhozi, First Deputy Governor of the Bank of Albania. The proceedings of this meeting were opened by the Deputy Governor, Ms Luljeta Minxhozi and the Deputy Minister of Finance and Economy, Mr Indrit Yzeiraj. In their remarks, both authorities highlighted the pivotal role of the National Payments Committee in implementing strategic reforms aimed at fostering Albania's integration into the European Union (EU).

In the beginning of her speech, Deputy Governor Minxhozi mentioned that the Bank of Albania has been actively working towards Albania's membership in the Single Payments Market, also known as SEPA, since

2021. This aligns with our participation in the regional project "the Modernization of Payment Systems in the Countries of the Western Balkans".

Next, Ms. Minxhozi has emphasized the Bank of Albania's focus on implementing a fast Payments solution, known as instant payments. This solution offers an alternative option for electronic payments, ensuring 24/7 availability and lower costs compared to other instruments like cards.

Deputy Governor Minxhozi emphasized the criticality of infrastructure development, with a specific focus on the forthcoming adoption of the "On in-depth customer authentication and common, open and secure communication standards" regulation, set to take effect in January 2024. This regulation aims to establish robust standards for open banking operations, ensuring the utmost security and confidentiality of payment transactions conducted by users of payment services.

Deputy Minister of Finance and Economy, Mr Yzeiraj, expressed his appreciation for the successful implementation of the objectives outlined in the National Retail Payments Strategy. These achievements have significantly contributed to enhancing financial inclusion and reducing reliance on physical currency. Furthermore, the Ministry fully supports the Banks of Albania's initiatives in implementing the necessary regulatory changes for SEPA membership,





GOVERNOR SEJKO ATTENDS THE YEAR-END EVENT ORGANISED BY THE ALBANIAN ASSOCIATION OF BANKS

15 December 2023, Tirana

which is a crucial objective of the Albanian government in the European integration agenda. Mr Yzeiraj also emphasized the importance of instant payments of other government projects, such as e-commerce, digital fiscalization, and the digitalization of services in e-Albania.

On 15 December 2023, Governor Sejko was invited to the annual year-end event organised by the Albanian Association of Banks. In his greeting speech, Governor presented an overview of the country's financial situation. The Albanian economy continued to grow, to generate new jobs and to improve almost all the internal and external balances. Moreover, he added that the economic activity is expected to grow at around 3.5%. In parallel, employment and wages have been rising, inflation has settled clearly on a downward trend, both public and external debt have reduced, the external trade balances have recorded a pronounced





progress, and the banking sector's balance sheets appear sound.

At the end of his speech, the Governor emphasized that the development prospects of the country remain positive. He said that the forecasts of the Bank of Albania suggest that the economic activity will continue to grow, both in the medium-and long-term horizon. Moreover, the European integration process offers significant opportunities for making a qualitative step for the economic development of Albania.

Finally, the governor reassured that in carrying out its function as a supervisor and regulator, will continue to be your supporter and partner, both in good and difficult days, offering transparency, cooperation and an objective assessment of your requests and proposals, in every decision-making.

GOVERNOR SEJKO AT THE INTERNATIONAL CONFERENCE OF THE FACULTY OF ECONOMICS, UNIVERSITY OF TIRANA.

16 December 2023, Tirana

On 16 December 2023, Governor Sejko was invited to participate in the International Conference of the Faculty of Economics, University of Tirana. The governor started his speech by emphasizing that this faculty has been and remains one of the most important educational institutions in the country. It has educated many renowned scholars and interns, who have given a precious contribution to the developmental and transforming process of Albania.



Moreover, the Governor mentioned the country's economic development from a historical perspective. He said that Albania has made a remarkable progress in its path towards development in the last three decades. During this period, the income per capita in Albania has grown significantly, from an average of around US \$600 at the end of 1990 to US \$8000 in 2023. Consequently, in three decades Albania has gone from a low-income to a medium-high-income country. This progress has not always been smooth, but rather demanding. It has



called for a radical change of the economic system, from a centralized economy to a market-free economy.



The Governor emphasized that the development in the tourism sector is a successful story of the Albanian economy in recent years. He added that tourist inflows have expanded from ALL 1.2 billion in 2010 to ALL 2.8 billion in 2022, and are in the right path towards reaching ALL 4 billion in 2023. This journey is reflected by a gradual and incessant improvement in the balance of current exchanges in Albania, which has improved from a double-digit deficit figure at the beginning of the previous decade, to a surplus recorded in the first quarters of 2023.



GOVERNOR SEJKO ADDRESSES END-OF- YEAR MEETING WITH JOURNALISTS AND MEDIA REPRESENTATIVES AND GOVERNOR'S AWARD CEREMONY 2023

18 December 2023, Tirana

On 18 December 2023, the Governor of the Bank of Albania, Mr Gent Sejko, met with renowned publicists, experts, and journalists of print and electronic media in Albania. In his opening address, Governor Sejko thanked the media representatives for their presence, as well as for reflecting the entire activity of the Bank of Albania in a realistic and truthful manner over the course of 2023, including its decision-making in the field of monetary policy. Next, Mr Sejko highlighted that the Bank of Albania will continue to be a loyal partner of the media world, guaranteeing a transparent and fast communication, styled in a simple language, easily perceptible by the public at large.



By the end of this activity, as it is already a tradition, the three winners of the "Governor's Award for the Best Diploma Thesis 2023" were announced". In this 17th annual tradition, experts at the Bank of Albania



select and awards three best research topics conducted by Albanian students,

graduating in Albania or abroad in the fields of economics and finance. The topics focus on real issues in economy and finance and employ increasingly sophisticated contemporary methods to conduct the assessment of hypotheses and explore the economic and financial data.

OTHER

MUSEUM NIGHTS, OCTOBER AND NOVEMBER 2023

On 26 October and 2 November 2023, as part of the "Museum Nights" cycle, the Museum of the Bank of Albania organized two exhibitions focusing on the presentation of the economic development and trade

relations with the neighbouring countries of the cities Berat and Shkodra, during the XVII - XIX century.

Contrary to the tradition so far, these two "Museum Nights", organized in cooperation with the Berat Museum Center and the Education, Youth, Sport and Culture Directorate of Shkodër Municipality, brought to the public two exhibitions with illustrative photographs of the period, accompanied with historical documents, in the form of "Museum in a suitcase".



THE BANK OF ALBANIA COMMUNICATES TO THE PUBLIC THE MONETARY POLICY DECISION-MAKING

After each meeting of the Supervisory Council, the Governor of the Bank of Albania communicates to the public the decision-making of the Bank of Albania, at a press conference. During 2023 H2, five press conferences of the Governor were held on this decision-making, respectively on: 5 July, 2 August, 4 October, 1 November, 20 December.



In these conferences, Governor Sejko communicates to the general public the decision-making of the Supervisory Council of the Bank of Albania regarding the changes in the policy interest rate, which increased from 3.0% to 3.25% in November 2023 and remained unchanged until the end of the year (2023). Meanwhile, the overnight deposit interest rate increased from 2.00% to 2.25%



and the overnight loan interest rate from 4.00% to 4.25%, both remained unchanged until the end of 2023.

PRESENTATION OF PERIODICAL REPORTS OF THE BANK OF ALBANIA TO THE MEDIA

As part of its communication strategy with the public, the Bank of Albania presents its periodical reports to the media prior to their publication. Based on the publication calendar of periodic reports published on the Bank of Albania's website at the beginning of 2023, during the second 6 months of this year, were held 4 presentations off-the-record for the media:



1. The presentation of the Annual Supervision Report 2022, dated 14 June 2023;
2. The presentation of the Monetary Policy III Report/ 2023, dated 10 August 2023;

- 3.The presentation of the Financial Stability Report 2023 H1 , dated 5 October 2023;
- 4.The presentation of the Monetary Policy IV Report/ 2023, dated 9 November 2023;

These releases are organized on the day of publication of the relevant report on the website. They aim to direct the media toward a correct understanding of the decision making of the Bank of Albania and are seen as an effective means of communication with the public.

FRIDAY SEMINARS

The Bank of Albania holds regularly the research activity "Friday Seminar. This initiative welcomes Bank of Albania's experts, researchers from the academic and other financial, research and scientific institutions to present and discuss their theoretical and empirical research papers.

During the second half-year were presented two papers: One from the Bank of Albania and one from the University of Oxford. The first paper on the topic " In (Re) Search of Credit Crunch (Rationing) Periods in Albania: A Disequilibrium Approach" was presented by Mr. Gerti Shijaku, on 10 November 2023. The second presentation on "Challenges of financial stability and monetary policy in the post-pandemic era" was presented by Prof. Dimitrios Tsomocos, University Professor of Financial Economics and Fellow in Management at St. Edmund Hall, on 21 September 2023.

THE DEADLINE FOR THE EXCHANGE OF SOME BANKNOTES WITHOUT LEGAL TENDER

Based on the decision of the Supervisory Council of the Bank of Albania no. 17, dated 13.2.2013 "On the postponement of the deadline for the exchange of some banknotes without legal tender", the Bank of Albania announces that December 31, 2023 is the deadline for the exchange of banknotes without legal tender as follows:



- 100 Lek, issue of 1993, 1994, 1996, the image of the National Warrior;
- 100 Lek, issue of 1996, image of Fan S. Noli;
- 200 Lek, issue of 1992, 1994, 1996, image of Ismail Qemali;
- 500 Lek, issue of the years 1991, 1992, 1993, 1996, 1997, the image of the girl with sunflowers;
- 500 Lek, issue of 1992, 1994, 1996, image of Naim Frashëri;
- 1000 Lek, issue of 1992, 1994, 1995, 1996, image of Skanderbeg.

PARTICIPATION OF BANK OF ALBANIA STAFF IN THE TIRANA MARATHON

With the motive to challenge themselves and promote a healthy lifestyle, Bank of Albania employees joined for the first time the 7th edition of the Tirana Marathon 2023, the biggest sports event in the country.

This initiative of the Bank of Albania aims at making the public aware on the elimination of the outdated terms “new lek” -“old lek” in their financial interactions. The use of this terminology continues to originate confusion over times.

Seizing the occasion, we invite the citizens to read the value as it is written on the banknote.



SOCIAL ACTIVITIES OF THE BANK OF ALBANIA'S STAFF

On 21 December 2023, the Bank of Albania's employees bought postcards for the end-of-year holidays printed with children's drawings, as part of a humanitarian activity organized by the “SOS” village and the “Down Syndrome Albania” Foundation. The funds collected from the sales were meant as an aid for the children of the “SOS” village, as well as to provide free therapy for the “Down Syndrome Albania” foundation.

