

# CENTRAL BANKING

**BANK OF ALBANIA  
HIGHLIGHTS**

January - June 2023



## NEWS AND EVENTS

No. 13







*Gent Sejko, Governor of the Bank of Albania*

## EDITORIAL

Dear Reader,

We have the pleasure to present the next edition of the half-yearly magazine "Central Banking: Bank of Albania highlights" for 2023 H1. The new issue of this magazine presents a chronological overview of 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.

All of us - financial institutions, government, businesses and individuals – share a common responsibility: tackling the climate change. In this context, the Bank of Albania is committed to working with all stakeholders to address these challenges and ensure that the banking sector is ready and equipped for dealing with them. It is our duty to promote the sustainable development and effective management of climate risks in the banking sector.

For this reason, the adoption, in the first six-month period, of the Strategy "The Management and Supervision of Climate-Related Financial Risks in the Financial Sector", 2023-2025, marked an important step in this regard. At a time when climate change is challenging economies worldwide and is affecting all their actors, this strategy again delineates our commitment to promote the country's sustainable economic development.

The Strategy for Climate Risk Management in the Banking Sector, which we advocate in this issue, aims to create a coordinated and common approach to dealing with climate

change in the banking sector. It consists in capacity building and development, research and knowledge transfer, risk assessment and measurement, as well as the national and international engagement in this regard. This strategic document - drafted in collaboration with our international partners, such as the World Bank - includes a detailed action plan to tackle and face climate risks in the banking sector, as well as to promote green finance. The document is based on the best international practices and is in line with the Action Plan of the European Union Commission.

The Bank of Albania, in drafting the strategy, has emphasised in a prudential manner the importance of discussion and cooperation at both national and international level, for addressing the challenges of climate change and building a more sustainable economy. To this end, we have developed several partnerships with national, regional and international organizations, including NGFS, SECO, the Vienna Initiative, and the World Bank (FinSAC), sharing experiences and lessons learned to adapt to the demands and challenges of this time.

Concluding, we invite you to take the time to read the articles included in this issue of the magazine, which provide a detailed overview of efforts and research related to climate risk management in the banking sector and beyond. We hope that this information will encourage you to reflect and engage further in the mission for a more sustainable and climate-responsible banking sector.



## GOVERNOR SEJKO AT THE CENTRAL AND EASTERN EUROPEAN FORUM ORGANISED BY EUROMONEY 10-11 January 2023, Vienna, Austria

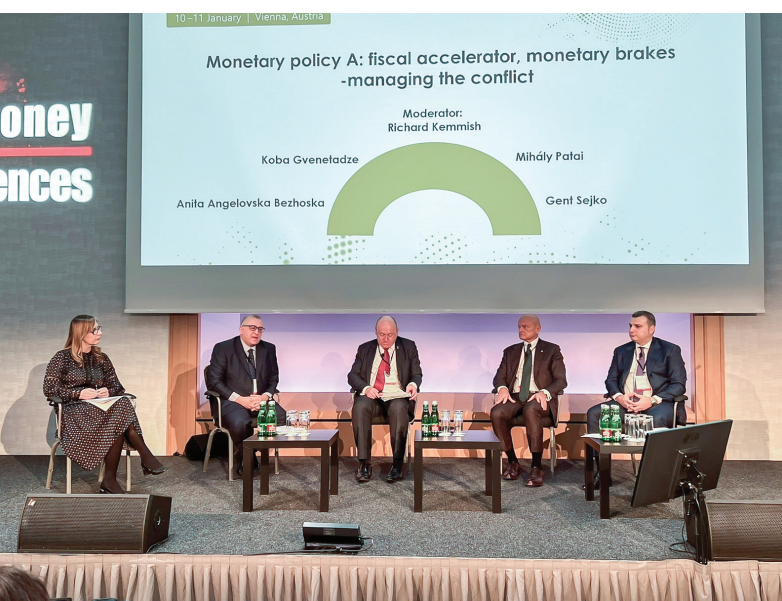
On 10-11 January 2023, the Governor of the Bank of Albania, Mr Gent Sejko, attended the Central and Eastern European (CEE) Forum. This annual event hosted by Euromoney brings together renowned figures from academia, leading stakeholders in economy and finance from the CEE countries - to discuss the latest economic developments in the European countries and in Southern and Eastern Europe. This two day Forum was conceived in the form of panels with specific topics, where attendees were invited to discuss the latest economic developments.

Governor Sejko provided his comments in the panel designed for central bank governors from CEE countries, on: "Monetary policy: a fiscal accelerator, monetary brakes - managing the conflict". In his remarks, Governor



Sejko presented an overview on the latest developments in the Albanian economy and the impacts of recent crises. The Governor stated that the Bank of Albania has embarked on a normalisation cycle of monetary policy stance over 2022, by raising the policy rate to 2.75% at the end of 2022, from the historical minimum of 0.5% at its beginning. In this context, the primary objective of central banks for safeguarding the monetary and financial stability of economies becomes more complex, given the new external supply-side shocks, like the rising prices in international markets, triggered by the Russia's war in Ukraine and which jeopardised price stability worldwide.

Mr Sejko emphasised that the monetary policy regime implemented by the Bank of Albania - flexible inflation targeting - provides the right discretion in decision making, as long as it takes into account both the final objective of price stability and the need to mitigate the consequences of the shock on the economy. To this end, the preservation of financial stability requires the continuous and active participation of all other institutional actors. Governor Sejko highlighted the need for coordination between monetary and fiscal policies. Overall, these policies should be coordinated with each other, aimed at controlling and returning inflation to target at a lowest cost on the economic activity.





## BANK OF ALBANIA SIGNS THE INTER-INSTITUTIONAL COOPERATION AGREEMENT ON CURRENCY PROTECTION AGAINST COUNTERFEITING

**17 January 2023, Tirana, Albania**

On 17 January 2023, the Bank of Albania, the Ministry of Interior, and the Prosecutor General's Office signed the inter-institutional cooperation agreement "On increasing efficiency in the prevention and protection of currencies from counterfeiting, as well as fighting the criminal activity in this field", at the premises of the Bank of Albania. The Governor of the Bank of Albania, Mr Gent Sejko, the Minister of Interior, Mr Bledar Çuçi, and the Prosecutor General, Mr Olsian Çela, greeted the signing ceremony. Also, representatives from commercial banks, the Albanian Association of Banks, the Deposit Insurance Agency, and the Albania State Police attended this ceremony.

Through this agreement, the three institutions crowned their voluminous work started years ago to increase cooperation on the prevention and protection of currencies against counterfeiting, as well as on fighting in a timely manner this phenomenon in Albania.



The Cooperation Agreement is related to the implementation of the recommendations of the Stabilisation and Association Committee (SAC) between Albania and the European Union for the protection of currencies from counterfeiting in compliance with the European standards. Therefore, the Bank of Albania through the signing of this agreement, fulfils one of the priorities for the implementation of the recommendations arising from the Stabilisation and Association Committee.



## LAUNCHING OF THE EBRD TRANSITION REPORT 2022-2023

**30 January 2023, Tirana, Albania**

On 30 January 2023, at the premises of the Bank of Albania, the Transition Report 2022-2023 of the European Bank for Reconstruction and development (EBRD) was presented. In his opening remarks, the Governor of the Bank of Albania, Mr Gent Sejko, stated that the EBRD Transition Report remains a professional and authoritarian analysis about the performance of transition economies in convergence process, fully reflecting the short

and medium-term challenges they face, as well as a precious guideline of stabilisation and development policies needed to support a sustainable economic and social progress.



“The remit of this year’s Report are the economic headwinds arising from the war in Ukraine, considered in both short- and medium term as well as in long-term perspectives. In economic perspective, this conflict was a strong supply-side shock across all the European continent. This shock was reflected in surged inflation rate and heightened uncertainty, worsened trading terms, expanded current account deficits, and tightened financial conditions”, emphasised the Governor.

In terms of the main messages addressed in this Transition Report, Governor Sejko emphasised the conclusion that the geopolitical conflicts and tensions bring inevitable crucial structural changes, which are accompanied with increased migration and long-term consequences for both home and host countries. Also, the geopolitical tensions are reflected in an increased protectionism, production chain fragmentation and re-orientated foreign direct investment flows towards friendly countries, as well as a decelerated globalisation process. In addition, they reduce attention on structural reforms, which have been and remain the sole instrument for a more rapid and sustainable economic growth.



Concluding, the Governor highlighted that the duty of policy-makers, in both national and international level, is to know these challenges and take care for minimising their consequences. In particular, the conduction of structural reforms, which has slowed down since the outbreak of the pandemic across all regional countries, should be restored as a national strategic priority across all transition countries.

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## **FOURTH CONFERENCE OF THE MUSEUM OF THE BANK OF ALBANIA**

**8 February 2023, Tirana, Albania**

On 8 February 2023, the Bank of Albania organised the Fourth Conference of the Museum of the Bank of Albania on: “The Medieval, the forerunner of a well-organized monetary system”. The proceedings of the Fourth Conference of the Museum of the Bank of Albania were opened by the Governor of the Bank of Albania, Mr Gent Sejko, the Minister of Culture, Ms Elva Margariti, and the President of the Academy of Sciences of Albania, Mr Skënder Gjinushi.





Mr Sejko pointed out that this Conference is one of the most prominent events of the Museum, as it helps to enrich and further the study of the exposed collections, and serves as a platform for experts to discuss and share their research findings.



The Minister of Culture, Ms Elva Margariti, in her greeting speech, praised the Bank of Albania's educational role through its Money Museum. The President of the Academy of Sciences of Albania, Mr Skënder Gjinushi, in his remarks thanked Governor Sejko for the invitation in this Conference and commented the importance of this collaboration in the research and academic framework of both institutions. He pointed out that the study of the currency is the key to discover and assess the history of a country and the selection of this topic dedicated to the Middle Ages, will further shed light on the study of this period in Albanian through numismatic.





## **GOVERNOR SEJKO ATTENDS THE EVENT ORGANISED BY THE BRITISH EMBASSY IN TIRANA: "STUDY IN THE UK"**

**9 February 2023, Tirana, Albania**

On 9 February 2023, the Governor of the Bank of Albania, Mr Gent Sejko, attended the event organised by the British Embassy in Tirana, on the UK government's international scholarships programme "Chevening", which is funded by the Foreign, Commonwealth and Development Office.

At the beginning of his greeting speech, Governor Sejko thanked the Ambassador King-Smith for the excellent relationships between our countries and the support that the United Kingdom has given to Albania throughout the development process of our country, including the European integration process. The Governor commended the role that the United Kingdom has played in our path of transition, through providing: financial support; transfer of knowledge; and assistance in capacity building.

Mr Sejko highlighted that from some years now, the Bank of Albania has been

collaborating closely with distinguished institutions of knowledge in the United Kingdom, as the London School of Economics and Political Science (LSE) and the Oxford University enabling the organisation of many joint conferences.

## **THE EUROPEAN CENTRAL BANK'S DELEGATION VISITS THE BANK OF ALBANIA TO DISCUSS THE 2023 ECONOMIC REFORM PROGRAMME**

**17 February 2023, Tirana, Albania**

On 17 February 2023, a staff delegation of the European Central Bank (ECB) paid a work visit to the Bank of Albania, in the framework of the dialogue process with the European partners on the assessment of the economic reform programme for 2023. The delegation discussed economic, financial and banking developments and policies with the leading officials of the Bank of Albania.



In the meeting with the Governor of the Bank of Albania, Mr Gent Sejko updated the ECB's delegation on the macroeconomic developments in Albania and BoA's expectations on the domestic economy.



Governor Sejko emphasized that the Albanian economy has shown sufficient resilience against the shocks caused by the pandemic and, most recently, from the war in Ukraine. To this end, the Governor highlighted that post-pandemic economic recovery has been swift and all-encompassing, demonstrating the soundness of the balance sheets and the flexibility of the private sector, as well as the appropriateness of the monetary, financial and fiscal policy course followed during this period. In addition, Mr Sejko underlined the fact that rapidly increasing inflation in Albania was engendered by soaring prices in international markets during 2022. However, the rising inflation has been under control, due to the reaction of the monetary policy, the strengthening of the exchange rate and the caps placed over energy prices. At the same time, the domestic economic activity, employment, and wages have continued to go up.



Concluding, Governor Sejko expressed his gratitude to the ECB, in particular, for its continuous support provided in the form of information exchange and an ongoing policy dialogue, as well as a EUR 400 million repo line granted during the pandemic and renewed recently. The Governor emphasised that although this line has not been used, the Bank of Albania assesses that this instrument is significant given the additional uncertainties stemming from the continuing war in Ukraine, the global economy and financial markets.

## GOVERNOR SEJKO ATTENDS THE IMF/WORLD BANK CONSTITUENCY MEETING

10 March 2023, San Marino

On 10 March 2023, the Governor of the Bank of Albania, Mr Gent Sejko, attended the International Monetary Fund/World Bank Group constituency meeting, taking place in San Marino.

Central bank governors and ministers of finance from the constituency member countries met to discuss the recent developments in the global economy and in the respective countries. In particular, this meeting focused on the challenges of post-COVID recovery and the geopolitical tensions.

During the meeting, Governor Sejko presented the latest developments in the Albanian economy, emphasizing the important role played by the normalization of monetary policy in the conditions of high inflation in the country. Inflation continued to decline for the fourth consecutive month and is expected to return to the target in 2024



H1. The Albanian economy has shown quite a resilience against foreign supply shocks and the tightened monetary conditions in both Albania and the world, and it is



expected to increase. In terms of financial markets they remain relatively calm, even in presence of the global tighter financial conditions, while banking sector's balance sheets appear sound. The changes in the policy rate show a pleasant pass-through into the interbank market, while the main indicators of financial stability are expected to remain under control. Loans to enterprises

and households continued to increase, albeit at a slower pace.

Concluding, the Governor pointed out that the Bank of Albania, as the monetary authority of the country, remains committed to play a crucial role for supporting the stable growth and strengthening the main macroeconomic balances in Albania.





## GOVERNOR SEJKO DELIVERS A LECTURE AT LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE (LSE) 28 March 2023, London, United Kingdom

On 28 March 2023, the Governor of the Bank of Albania, Mr Gent Sejko, invited by the London School of Economics and Political Science (LSE), delivered a public lecture on "Dealing with Shocks at the Gates of EU: New Policy Instruments & The Role of Central Banks".



This lecture was organised in the framework of the long-standing cooperation between the Bank of Albania and the London School of Economics and Political Science (LSE) and



was attended by international experts in economy, academic body of the University, as well as by foreign and Albanian students studying at LSE.

The Governor discussed on the economic and financial challenges faced by the small and open regional economies in Western Balkans, particularly in Albania, in their path toward the European Union (EU) and the implications such challenges pose to the monetary and financial policies undertaken by the relevant central banks.

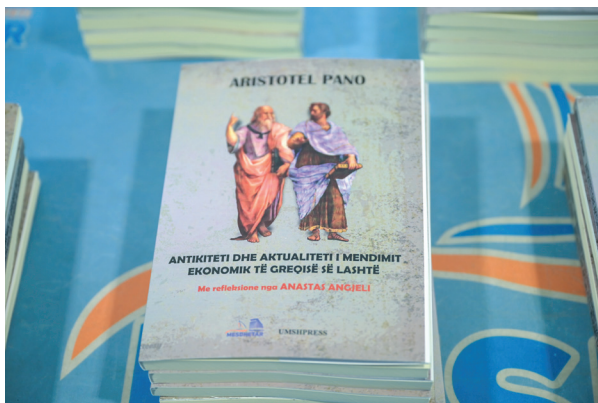


Next, the presentation of Governor Sejko was followed by the discussions of professors at London School of Economics and Political Science (LSE), Ms Piroska Nagy-Mohácsi and Mr Vassilis Monastiriotis. Both professors commended the policies undertaken by the Bank of Albania which have helped in successfully overcoming the external shocks and have prepared the institution of the central bank for the EU integration process. They pointed out that the Bank of Albania, as a result of the fast response and coordination with the economic policies, has succeeded in providing a concrete support for the development of the country and tackling the back-to-back shocks in the last years, in turn serving as a model institution in the integration process of Albania.

## GOVERNOR SEJKO ATTENDS THE LAUNCHING OF THE BOOK BY PROF. DR. ARISTOTEL PANO

4 April 2023, Tirana, Albania

On 4 April 2023, the Governor of the Bank of Albania, Mr Gent Sejko, attended the launching of "Antiquity and modernity of economic thought of the Ancient Greece", a book by Prof. Dr. Aristotel Pano, and enriched with reflections by Academic Prof Dr. Anastas Angjeli.



Governor Sejko stated to be honoured to present the book by Prof. Dr. Aristotel Pano, as the Governor of the Bank of Albania, and as a friend and former student of Professor Pano, who has been one of the most elite collaborators and advisor to our central bank, since its foundation.



Next, regarding the importance of this book, Mr Sejko highlighted that the theme on the economic thought and philosophy, addressed in this book, makes it important and almost unique for Albania, almost undealt with so far across domestic works. The ancient economic thought should be recognised and discussed. It remains valuable even today, for both students of this relatively new science and for us as policy makers.

Concluding, the Governor once more referred to the legacy that intellectuals like Aristotel Pano leave behind even when they leave life. "I feel very glad that Professor Pano entrusted to us his manuscript on the Albanian monetary and banking history in the last two centuries."-stated the Governor. "The Bank of Albania will very soon publish this work. I hope that such works inspire the faculty of economics, finance and business to cover in their curricula more broadly the subject on the economic thought, as it provides a profounder comprehension of the economic theory, develops the ability of



thinking and exposes students to both various ideas and the study of intellectual history".

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## **FIRST DEPUTY GOVERNOR MINXHOZI ATTENDS THE FORUM: "30 YEARS OF FREE MARKET-BANKING SECTOR"**

**6 April 2023, Tirana, Albania**

On 6 April 2023, the Faculty of Economics of Tirana University organized the forum on: "30 Years of Free Market-Banking Sector". The First Deputy Governor of the Bank of Albania, Ms Luljeta Minxhozi, invited as the keynote speaker, addressed to the forum.



In her address, First Deputy Governor Minxhozi highlighted the significant role that banking sector plays in the economy of Albania. This system, in addition to providing the payment means in the economy, also acts as an engine of growth through lending to both the private sector and households. Next, Ms Minxhozi focused on the digitalization process and challenges faced by the banking system due to many developments in the field of technology. In this context, she evidenced the work done by the Bank of Albania regarding the development of payment system infrastructure, where the approval of the law "On Payment Services" had a key

role, which has been already finalized both from an infrastructural and regulatory point of view, while it is functional and available to market players.



Concluding, the First Deputy Governor Minxhozi discussed also the involvement of central banks in green finances and the important role they have to overcoming the challenges faced by the economy due to climate change.

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## **GOVERNOR SEJKO ATTENDS IMF AND WBG SPRING MEETINGS 2023**

**12-15 April 2023, Washington, USA**

On 12-15 April 2023, the Governor of the Bank of Albania, Mr Gent Sejko, attended the Spring Meetings of the International Monetary Fund (IMF) and the World Bank Group (WBG) in Washington D.C., USA.





Each year, the Spring Meetings bring together central bank governors, ministers of finance of member states, senior officials of international financial institutions, and representatives of academia, business and civil society.

In these meetings, Governor Sejko informed the IMF and WBG representatives on the latest developments in the Albanian economy. In this regard, the Governor highlighted that the Albanian economy was able to withstand the consecutive shocks: the earthquake, the pandemic, and the economic consequences

caused by the war in Ukraine during 2022, which are persisting.

Despite the challenging situation, the economic policies implemented by the Bank of Albania helped: to maintain a relatively low inflation level compared with regional countries; to reduce uncertainty; and safeguard the financial stability, in Albania. Inflation has started its downward curve, reaching at 5.3% in March. It is expected to continue on this downward trend over the course 2023, and return to target within the first half of 2024.







The high-level representatives of the IMF and WBG commended the positive role and the policy implemented by the Bank of Albania, which has contributed to the macroeconomic development and financial stability of Albania. They emphasized that the coordination of the monetary policy with fiscal policy in Albania, and the monetary policy stance, in the euro area and the world is of a crucial importance. The fiscal consolidation and convergence with the monetary policy of the Euro area have helped the Bank of Albania's monetary policy and the macroeconomic development of the country.

## GOVERNOR SEJKO MEETS WITH REPRESENTATIVES OF BUSINESS ASSOCIATIONS OF EXPORTERS

**8 May 2023, Tirana, Albania**

On 8 May 2023, the Governor of the Bank of Albania, Mr Gent Sejko, held a meeting with the representatives of business associations of exporters to discuss the concerns raised by them regarding the strengthening of lek against the euro.

This meeting was held in the framework of cooperation and round-table discussions to: assess their concerns; be informed on the situation; and bring forth alternatives and



instruments which could be coordinated with the financial industry.

At the beginning of this meeting, Governor Sejko highlighted that Albania follows a free-floating exchange rate regime, for many years now. Pursuant to this regime, the Bank of Albania does not trade currency at a fixed exchange rate, although it follows its performance very closely. As regards the strengthening trend of the domestic currency, according to analysis, the Bank of Albania argues that this reflects the structural improvement of the Albanian economy and its financial markets. This is witnessed by the strengthening of the external position of the economy and a higher public trust on the national currency.



The Governor added that the foreign exchange market has functioned smoothly in the past two years, by showing neither speculations nor distortions, which suggests that the appreciation of the domestic currency is an



event determined by real-life economy, not the financial market. The Bank of Albania has been and remains continuously committed in creating a monetary and financial environment which is safe, stable, and transparent and serves the sustainable economic development. The Bank of Albania invited the exporters to be prudent regarding their business strategies and plans, as well as to establish close cooperation with the financial industry, which provides the necessary instruments that protect them against these risks.

## FIRST DEPUTY GOVERNOR MINXHOZI ATTENDS THE ROUNDTABLE ON CAPITAL MARKETS

**26 May 2023, Tirana, Albania**

On 26 May 2023, the Financial Supervisory Authority (FSA), the Ministry of Finance and Economy, and banks held a roundtable on the development of capital markets in Albania. This discussion table was organised by the Albanian Financial Supervisory Authority, after the Council of Ministers approved the Political Document "On the creation of an environment that allows for the development of capital markets in Albania, 2023-2027".



In her address, the First Deputy Governor Minxhozi, highlighted the key role of efficient capital markets in Albania. In this framework, she stated that the development of these markets helps reduce the high volatilities in both interest rates and exchange rates, establish a stable environment the monetary policy pass-through, maintain financial stability and generate a sustainable economic growth. On the other hand, efficient capital markets may provide funding to the private and public sectors, by bypassing the banking sector, opening thus the door to new financial resources and enhancing competitiveness.

Concluding, the First Deputy Governor of the Bank of Albania, Ms Luljeta Minxhozi ensured the full engagement of the Bank of Albania to support the implementation of this strategy and the further development of capital markets.



## FIRST DEPUTY GOVERNOR MINXHOZI ATTENDS THE REGIONAL SUMMIT 29-30 May 2023, Bečići, Montenegro

On 29-30 May 2023, the First Deputy Governor of the Bank of Albania, Ms Luljeta Minxhozi attended the 10th regional summit held in Bečići, Montenegro.



This year's summit entitled "Financial and Monetary Stability of the Region in Uncertain Times of Prolonged Geopolitical and Economic Crisis" addressed the latest developments in the regional economies.

At the invitation of the organisers, the First Deputy Governor of the Bank of Albania, Ms Luljeta Minxhozi, delivered a speech at the panel of governors, on "Maintaining the stability of prices and of the banking system in times of uncertainty".

The First Deputy Governor focused on one of the most challenging issues, the upsurge in price. Ms Minxhozi stated that the inflation targeting regime and the free-floating exchange rate regime implemented in Albania have functioned perfectly well and have helped Albania in its convergence process, by underpinning the economic growth, the economic and financial stability, as well as the increase and expansion of financial sector. She added that like every country, Albania is experiencing the impact of high inflation rate, both domestic and imported one. However, inflation rate in Albania has been lower compared to other regional countries due to the production of energy from domestic hydro sources, as our country has not imported large quantities of energy, thus its price has not affected the overall increase in prices.



Ms Minxhozi emphasised that the Bank of Albania has guaranteed the monetary and financial stability in Albania, by rising the key interest rate to fight inflation in accordance with its main objective of price stability. Despite the challenging situations, the economic policies implemented by the Bank of Albania helped to maintain a relatively low inflation level compared with regional countries.

# GOVERNOR SEJKO PRESENTS THE ANNUAL REPORT OF THE BANK OF ALBANIA FOR 2022

**31 May 2023, Tirana, Albania**

On 31 May 2023, the Governor of the Bank of Albania, Mr Gent Sejko, presented the Annual Report of the Bank of Albania for 2022 to the Parliamentary Committee on Economy and Finance.



During his speech, Governor Sejko presented an overview of the latest developments in Albania, highlighting 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 pointed out that, though it is still early to provide a final analysis of consequences from the war in Ukraine, I am pleased to see that the Albanian economy has displayed a high resilience against these shocks. This resilience has been shown, first, in the maintenance of a positive economic growth rate, and second, but no less important, in the preservation of overall economic and financial stability in the country.

In more concrete terms, the Governor evidenced some of the main directions and results of the work of the Bank of Albania throughout 2022:

- The increased intensity and the expanded base of inflationary pressures during the past year dictated a change in the monetary policy stance.
- In fulfilment of our legal mandate of price stability, the Bank of Albania undertook a normalization of the monetary policy stance.
- The rise in the interest rate to 2.75% as at end of 2022, from 0.5% at the beginning of 2022, led to the realisation of this normalisation.
- We intensified communication with markets and public, re-affirming our will to take all the necessary measures for inflation return to the target and to clarify our monetary policy strategy.



Then, the Governor 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. This philosophy will continue to guide our work throughout 2023 and forward.

Concluding, Governor Sejko highlighted that price stability has been and remains the main



mission of the Bank of Albania. Safeguarding monetary and financial stability of Albania is the best service we provide to the Albanian economy. On the other hand, the growth of production potential of the economy, the strengthening of its resilience to shocks, and the increase of society welfare requires the continuation and further deepening the structural reforms.

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## **BANK OF ALBANIA AND THE SWISS SECRETARIAT FOR ECONOMIC AFFAIRS (SECO) SIGN A MEMORANDUM OF UNDERSTANDING**

**19 June 2023, Tirana**

On 19 June 2023, the Bank of Albania hosted the ceremony on signing the Memorandum of Understanding between the Bank of Albania and the State Secretariat for Economic Affairs (SECO) regarding the implementation of the third phase of the bilateral assistance and capacity development for central banks programme (BCC Phase III: 2023-2028).



The MoU was signed by the Governor of the Bank of Albania, Mr Gent Sejko and the Swiss Ambassador in Tirana, H.E. Ms Ruth Huber.

In his welcome address, Governor Sejko stated that this MoU is a new phase in the important cooperation between the Bank of Albania and the State Secretariat for Economic Affairs (SECO), marking another crucial step toward the improvement of monetary and financial policies in Albania, to further strengthen the economy and financial system of Albania. These innovations trigger significant challenges both for the authorities and the society. The latter should know, understand and use these instruments, but at the same time, cushion themselves from the risks that come with the rapid and furious development of technology.



H.E. Ambassador Huber commended the Bank of Albania for the good partnership created and for its role as an effective and independent institution in guaranteeing the financial stability of the country.

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## **GOVERNOR SEJKO MEETS REPRESENTATIVES OF THE INTERNATIONAL MONETARY FUND MISSION**

**19 June 2023, Tirana**

On 19 June 2023, the Governor of the Bank of Albania, Mr Gent Sejko, had a concluding meeting with the International Monetary Fund (IMF) Mission team, led by Anke Weber, the

IMF Mission Chief for Albania. The meeting focused on the analysis regarding the latest economic and financial situation in Albania, the projections for the future, as well as on the policies pursued.



Governor Sejko assessed that the Albanian economy is expected to grow in 2023, proving the sustainability of the financial sector, as well as the flexibility of the private sector. Regarding the banking sector, the Governor stated that its activity has been developed in a stable manner, with indicators of profitability and capitalization at adequate levels to provide support for the financial stability of the country.



The IMF Mission Chief, stated that in general, the banking system has shown resilient to successive shocks, with sound capital and liquidity positions. She advocated for continuous monitoring of bank credit, exchange rate and interest rate risk. The IMF Mission Chief ascertained that the strengthening trend of the exchange rate is

in line with the increase in exports and the structural improvements in the external balances of the Albanian economy. In this context, she underlined the usefulness and benefits that the Albanian economy has from the free-floating exchange rate regime and emphasized that, in accordance with this regime, the intervention in the foreign exchange market should be limited to conditions of market disorder, while maintaining the role of the exchange rate of exchange as shocks absorber.

## **GOVERNOR SEJKO: ANNUAL MEETING OF THE CENTRE OF EXCELLENCE IN FINANCE (CEF) GOVERNING BOARD**

**22 June 2023, Tirana, Albania**

On 22 June 2023, the Governing Board of the Centre of Excellence in Finance (CEF) convened the annual meeting at the premises of the Bank of Albania, to review achievements, discuss future plans, and promote learning for stronger public institutions. Governing Board is a decision making body of the CEF. Members of the Board comprise ministers of finance and governors of central banks from the CEF members.

This year, the annual meeting took place in Tirana under the auspicious of the Governor of the Bank of Albania, Mr Gent Sejko, who







chaired the CEF Governing Board over 2022. Governing Sejko in his welcome address thanked the CEF for the insofar collaboration, highlighting that the CEF has been a strong



and reliable partner for the Bank of Albania, contributing to particularly for building up policies that guarantee the macroeconomic and financial stability. Through its events, the CEF contributes in achieving the goals set forth in the 2030 Agenda for Sustainable Development, by promoting effective, responsible and comprehensive institutions across all levels. Governor Sejko emphasised that the strengthening of institutions aimed at empowering them dealing with various challenges and achieving their objectives remains very important, and stated his confidence that Albania, particularly the Bank of Albania, will further expand the relations with the CEF at the same time benefit from the opportunities provided under this cooperation.

In addition to the Governing Board meeting, members also participated in a high-level

conference on Green Finance in South East Europe – Developing Capacities and Taxonomy organized by the CEF and the Bank of Albania. Together with high-level representatives working in the field of banking regulation and supervision in South East Europe, they discussed their institutions' efforts in promoting green finance according to their institutional mandate. Participants discussed the initial actions taken, the challenges faced, and their vision for the way forward.



The proceedings of this Conference were opened by the Governor of the Bank of Albania, Mr Gent Sejko, and the Minister of Finance and Economy, Ms Delina Ibrahimaj. Related to green finance, Governor Sejko stated that the Bank of Albania, as a public institution, is devoted to understand and address the economic and financial consequences of climate change and the transition to a net-zero emissions economy. The Bank of Albania is working on the adoption of its policies framework to these changes.

## GOVERNOR SEJKO MEETS REPRESENTATIVES OF THE EBRD'S BOARD OF DIRECTORS

23 June 2023, Tirana, Albania

On 23 June 2023, the Governor of the Bank of Albania, Mr Gent Sejko, met with representatives of the European Bank for

Reconstruction and Development's (EBRD) Board of Directors.



At the beginning, the Governor of the Bank of Albania, Mr Gent Sejko thanked the EBRD for the important contribution it has given to Albania as one of the largest institutional investors and in particular to the Bank of Albania. Very important projects for the banking system have been achieved thanks to this contribution.



The Governor emphasized that Albania has significantly progressed regarding the economic development, by increasing competitiveness and expanding reforms, especially in the field of digitalization. The Albanian economy, despite the successive shocks, has continued to grow at a stable pace, by 4.8% in 2022.

The representatives of the Board of Directors of the EBRD appreciated the cooperation with

the Bank of Albania, stating that as a reliable partner, it has proved to be a central bank that is capable of acting proactively to preserve the macroeconomic and financial stability of the country.

In this meeting with the Governor, they were interested in issues related to the transmission of monetary policy in the economy, the modernization of payment systems, the European integration process and the use of the euro in Albania.



## OTHER

### GOVERNOR SEJKO AT THE GRADUATION CEREMONY OF THE STUDENTS OF "TURGUT OZAL" COLLEGE 29 May 2023, Tirana, Albania

On 29 May 2023, the Governor of the Bank of Albania, Mr Governor Sejko attended the graduation ceremony of the students of "Turgut Ozal" College. The Governor began his address by emphasizing that the graduation day is the day that crowns the efforts started since childhood in relation to knowledge. He added that this day marks the culmination of years of hard work, dedication and sacrifice.



Governor Sejko emphasized that graduation is not only about receiving a diploma; it's about starting a new chapter in your life. It's about embracing the unknown and paving your future path.

He encouraged students to strive for excellence in whatever they do, pursue passions with unwavering determination and embrace a lifelong love of knowledge.



## 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.

According to the calendar published at the beginning of the year, during the first six months of 2023, three press conferences of the Governor were held on this decision-making, respectively: 1 February, 23 March and 3 May 2023.

In these conferences, Governor Sejko communicates to the general public the



decision of the Supervisory Council of the Bank of Albania related to the key interest rate. In the meeting of March the key interest rate increased at 3.00% from 2.75%; the overnight deposit interest rate at 2.00% from 1.75%; and the overnight loan interest rate at 4.00% from 3.75%.



In his speech, the Governor stated also the forthcoming monetary policy stance, saying that "... the Council deems that the high inflationary pressures from the domestic economy remain a risk factor to price stability in Albania. In these circumstances, the Supervisory Council will carefully monitor the situation to assess on an ongoing basis the inflationary pressure dynamics going forward and to identify in a timely manner the necessary measures to achieve the target, including the further normalisation of monetary policy stance."

The monetary policy stance will provide the necessary conditions to safeguard



price stability objective in the medium term, simultaneously paying attention to minimise its impact on restricting the economic activity, and potential adverse consequences on financial stability.

## BILATERAL SCREENING MEETINGS EU-ALBANIA

### Brussels, Belgium

After the Intergovernmental Conference, EU - Albania, in the framework of the accession negotiation process, held on 19 July 2022, the integration process of Albania in the EU continued with the screening process for each ACQUIS Chapter.

Two screening meetings took place over this period:

- On 15 February 2023, it was held the bilateral screening meeting for Chapter 4: "Free movement of Capital". This chapter is essential for the accession negotiations in the economic aspects, addressing one of the fourth fundamental freedom at the basis of the Single European Union market.
- On 15 June 2023 for the Chapter 17 "Economic and Monetary Policy". This chapter is dedicated to European Acquis related to the draft and coordination of macroeconomic policies across member countries of the European Union.



The Bank of Albania leads the Inter-institutional European Integration Group for Chapter 17, chaired by the Second Deputy Governor of the BoA, Ms Natasha Ahmetaj.

Pursuant to the pre-defined agenda, the Albanian delegation explained the Albanian legal and institutional framework and its implementation, by highlighting the level of approximation and the existing gaps compared with the EU legal and institutional framework for each theme of the chapter. Next to the presentations by the members of the Albanian delegation the EU representatives addressed various questions related to the above stated topics. The Albanian experts, by respective fields, provided the relevant answers.

## 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 the year, during the first half of this year, three presentations were held off-the-record with the media:





- The presentation of the Quarterly Monetary Policy Report 2023/I, dated 9 February 2023, at the premises of the Bank of Albania;
- The presentation of the Financial Stability Report 2022 H2, dated 28 April 2023, at the premises of the Bank of Albania;
- The presentation of the Quarterly Monetary Policy Report 2023/II, dated 11 May 2023, at the premises of the Bank of Albania;

## 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 first half-year were presented these papers:

- Impact of the latest developments on construction sector and real estate market: Data on price trends and the economic and social impact", by Mr Enkelejd Musabelliu, Administrator of Adriatica Company RC, on 3 February 2023;
- "Climate Change Awareness, Impact and Adaptation Strategies - the Case of Albanian Agriculture Sector", by Mr Edvin Zhllima and Mr Drini Imami, Associated professors and lecturers at Agricultural University of Tirana, The faculty of Economy and Agro business, on 14 April 2023;
- "Sustainable finance: present and future challenges", presented by Ms Anjeza Kadilli, Assistant Professor of Finance at University of Genève, Switzerland, on 26 May 2023;
- "Impact of releases from central banks on financial markets", by Mr Michele Modugno, Chief, Financial and Macroeconomic Stability Studies. Board of Governors of the Federal Reserve System (FED), on 6 June 2023.





## ACTIVITIES OF THE BANK OF ALBANIA

### LAUNCHING OF MONEY WEEK 2023

26 March 2023, Tirana, Albania

On 20 - 26 March 2023, the Bank of Albania, in cooperation with the Albanian Association of Banks, and the support of the Ministry of Education and Sports, and other partners, held for the sixth consecutive year the Money Week. Global Money Week is



a global celebration of money, which aims at raising the awareness of the younger generation to be financially responsible and capable adults in the future.





In the launching ceremony of Money Week 2023, Governor Sejko pointed out the motive this event: "Plan your money, plant your future", highlighting the importance of a prudential approach towards money, to ensure the future well-being, by having the adequate knowledge on an increasingly innovative financial market.

The ceremony continued with the awards for the winners of the five contests organized by the Bank of Albania and the Albanian Association of Banks on the occasion of the Money Week

## INTERVIEW WITH GOVERNOR SEJKO. "MONITOR" MAGAZINE

In an interview for the economic magazine "Monitor, the Governor of the Bank of Albania, Mr Has provided an overview of the economic developments of Albania in the last years. The Albanian economy has shown resilient toward the several crises striking over the past years, one after the other. Particularly in regards to the earthquake in 2019, the COVID-19 pandemic in 2020-2021, and the economic impact following the war in Ukraine, which hit at the beginning of 2022 and is still present, its response has been satisfactory. The Governor said that, in a more general point of view, the Albanian economy has maintained the positive economic growth trend and its overall economic and financial stability.

Next, he emphasised rather we should be aware that 2023 will be another challenging year. Inflation and uncertainties are high, and the contracting financing conditions are expected to decelerate the economic growth pace. However, as inflation simmers

down and uncertainties peter out, we expect the economy to continue grow at a stable manner in the medium-term horizon. On the other hand, the resilience of our economy is conducive to the continuation of our structural reforms, which will enhance the potentials and competitiveness of our economy. This will further strengthen the economy's resilience against potential future shocks.

## AWARENESS CAMPAIGN "NEITHER OLD NOR NEW, I AM SIMPLY LEK!"

The Bank of Albania has undertaken a national public awareness campaign with the theme "Neither old nor new, I'm simply Lek!". This campaign aims to raise public awareness about the correct reading of the nominal value written on national Lek coins and banknotes, without adding 0 or unnecessary qualifiers such as "new" or "old". The campaign will last for several years, since it aims to remove a mindset that has accompanied Albanian society for more than 50 years.

The misuse of the terms "new lek" and "old lek" has been inherited since the monetary reform of 1965, which saw the replacement of old Lek banknotes with new ones, at a ratio of 10 to 1, changing at the same rate the expression of prices, wages and any other financial action.





As part of this campaign, the Bank of Albania has organized a series of informative lectures in different classes or the Museum of the Bank of Albania for school students and university students. The educational institutions that participated in these lectures during this period were the schools "Besnik Sykja", "Dëshmorët e Lirisë", "Don Bosko", "Arsakeo", "Qemal Stafa" and the Faculty of Economics at the University of Tirana.

The Bank of Albania thanks the Ministry of Education and Science, the Tirana Educational Directorate, the leaders and teaching staff of schools and universities, the Albanian Association of Banks, commercial banks and the Audiovisual Media Authority, for the commitment and support they have given to this campaign.

## SOCIAL AKTIVITIES OF THE BANK OF ALBANIA

The Bank of Albania, within the framework of social responsibility, undertakes various humanitarian initiatives.

On 2 April 2023, as in previous years, the Bank of Albania's central building was



illuminated in blue to mark the World Autism Day as part of a common national awareness raising initiative for it.

During this period, on the occasion of 14 June, "The World Blood Donation Day", the Bank of Albania joined the voluntary blood donation initiative, where its employees donated blood voluntarily.

