The “Medium-term development strategy of the Bank of Albania 2020-2022” was approved by the Supervisory Council of the Bank of Albania, Decision No.69, dated 27.11.2019.
CONTENTS

1. MISSION 5

2. VISION 6

3. VALUES 7

4. MEDIUM-TERM OBJECTIVES 8
   4.1 Monetary policy, price stability and macroeconomic stability 8
   4.2 Promoting financial system stability 10
   4.3 Promoting the smooth operation of payment systems 16
   4.4 Issue and circulation of the Albanian currency 17
   4.5 Management of foreign exchange reserves 19
   4.6 Drafting and distribution of statistics 20
   4.7 Scientific Research 22
   4.8 Good governance of the institution 23
The Medium-Term Development Strategy 2019-2021 provides comprehensive guidance and sets out the activities of the Bank of Albania over this period by identifying the priorities and developments to take place.

The Strategy also serves as a general and guiding framework for preparing the budget for three years by using the result-based management approach. The budget of each year will be developed on the basis of the 2020-2022 medium-term objectives.
1. MISSION

The Bank of Albania is the country’s central bank and has the exclusive right to: (i) formulate and independently implement the monetary policy - the principal objective of the Bank of Albania is to achieve and maintain price stability, which is the best contribution of the monetary policy for the sustainable and long-term economic growth; (ii) issue and circulate the Albanian currency, ensuring the public confidence in the currency, by guaranteeing the quality of banknotes and coins, and providing secure and efficient supply to meet the needs of the economy for currency; (iii) hold and manage official international reserves of the Republic of Albania as a guarantee to withstand adverse shocks to the real sector of the economy and support financial stability.

As the issuer of the national currency, the Bank of Albania promotes the smooth operation of payment systems to: ensure a safe and fast circulation of the currency in the economy at minimum costs; prevent systemic risks; and safeguard the stability of financial institutions and markets.

The Bank of Albania promotes the stability of the financial system - public confidence in institutions, markets, and financial infrastructure - through regulating, licensing, and supervising banks and other financial institutions, as well as regularly identifying and analysing risks and threats to financial stability.
2. VISION

Adoption of the most advanced standards in the field of professionalism, independence, transparency and institutional governance, to guarantee the fulfilment of the mission and to promote public confidence. This will be achieved through enhancing:

a) the independence in accomplishing the mission and achieving the legal objectives, in conformity with obligations arising from the gradual approximation of our legislation and policies with the legislation of the European Union and the European System of Central Banks;
b) accountability to the public for the fulfilment of the main duties, as well as the primary objective and other statutory objectives of the Bank of Albania. This includes also adopting best accounting and auditing standards, regularly publishing financial reports and ensuring the integrity of external and internal audit processes, as key elements for public accountability;
c) the transparency on the activity of the Bank of Albania, through an open and clear communication with the public. The Bank of Albania will take the appropriate measures, in accordance with the law and its policies, to increase the comprehensibility and predictability of the monetary policy, improve accountability and boost public confidence in the institution.
3. VALUES

To foster public confidence in the institution, the activity of the Bank of Albania shall be guided by the following values:

a) Integrity and ethics: acting in conformity with the legal and moral norms, and highest ethical standards, averting inappropriate influences by persons or organisations outside the institution in the fulfilment of the duties.

b) Competence and professionalism: acting in accordance with the required expertise, know-how, capability, qualifications and qualities.

c) Effectiveness and efficiency: acting to achieve the desired outcome in the best way using minimum resources.

d) Team work and innovation: acting in cooperation, mutually assisting and sharing know-how, assuming initiative and showing creativity for presenting new ideas.
4. MEDIUM-TERM OBJECTIVES

Priorities in the activity of the Bank of Albania are set forth in the organic law. The primary objective is to achieve and maintain price stability. In accordance with this objective, the Bank of Albania promotes and supports: (i) foreign exchange system; (ii) internal financial market; (iii) payment systems; and (iv) improvement of the monetary and lending conditions in support of the country’s stability and economic developments.

Other objectives are conditioned by the primary objective and promote maintaining the liquidity level, solvency, and the smooth functioning of the banking system based on market principles.

4.1 MONETARY POLICY, PRICE STABILITY AND MACROECONOMIC STABILITY

The Bank of Albania formulates and implements the monetary policy, for achieving and maintaining price stability. It provides a significant contribution to the growth of economic and financial welfare in the country.

The monetary policy is designed accordingly to the inflation targeting regime. The deviation of the medium-term inflation forecast from the target is the main indicator of the balance of inflationary pressures in the economy. The Bank of Albania operates under a floating exchange rate regime to support the inflation targeting regime.

The main objectives in the area of monetary policy are to: increase the effectiveness of monetary policy drafting; enhance flexibility in the implementation of monetary policy; improve the communication of monetary policy; and strengthen the cooperation with national and international partners. The development strategy for the monetary policy is based on the trends of internal and external developments, the identification of future challenges and the utilisation of relevant best international practices.
In the area of formulating and implementing the monetary policy, the Bank of Albania aims at:

**a) Enhancing the effectiveness of the monetary policy formulating process**
Achieving and maintaining price stability requires a solid, effective and reliable monetary policy framework. This objective shall be achieved by: improving and updating the monetary policy forecasting models and analysis; applying contemporary modelling techniques; and updating its staff with the latest information.

In addition, in order to enhance the effectiveness of monetary policy, the Bank of Albania aims at implementing the best international practices for the scientific research and empirical assessment on the functioning of the Albanian economy and financial markets, as well as the continuous staff training. Improving forecasting models and maintaining a sound research agenda shall be supported by the continuous training of the staff.

Fulfilling this objective enables:
- Generation of macroeconomic projections based on a solid and advanced platform;
- Conduct of in-depth analysis of macroeconomic relations and operation of the Albanian economy;
- Evaluation of the monetary policy pass-through to the economy and measurement of its effects; it also facilitates the correlation between monetary policy and macro-prudential policy.

**b) Increasing the flexibility of monetary policy instruments**

The Bank of Albania will continue to assess the effectiveness of the range of instruments available, including those that are classified as non-conventional measures, in order to use them to achieve its objective, if necessary.

The achievement of this objective aims to strengthen the monetary policy transmission mechanism. The environment in which the central bank operates has changed, which pose the need to increase flexibility in its operations for addressing them. Increased flexibility in the use of conventional or non-conventional instruments enables to address new challenges with the appropriate approaches, helping thus to achieve monetary policy objectives.

**c) Improving the communication with the public to enhance the understanding, predictability and the effectiveness of monetary policy**

In view of this objective, the Bank of Albania aims to increase the quality of Monetary Policy Reports in terms of enhancing the transparency and clarity of monetary policy communication.
Through the clear communication of monetary policy, the Bank of Albania helps households and enterprises to be well-informed in their decision to invest or save; it reduces the economic and financial uncertainties; it increases the effectiveness and accountability of monetary policy.

d) Strengthening the cooperation with domestic and foreign partners for enhancing the synergy of domestic economic policies and bolstering the European integration process

Increasing monetary policy effectiveness requires, inter alia, increasing coordination with fiscal policy, knowing and consulting structural reforms across the board, and dialogue with the various domestic partners. The national objective of European integration requires a continuous dialogue with European partners, as well as knowing and implementing the European legislation in the field of Economic and Monetary Union. Bank of Albania aims at consolidating the cooperation with fiscal authorities in drafting strategic documents for the economic development. It will work to meet the requirements of the European Union for the approximation of monetary policy legislation. Hence, the Bank of Albania fulfils its institutional obligations in the framework of the long-term objective for the European integration of Albania.

e) Promoting the developments of the domestic financial markets

The effective monetary policy pass-through requires developed financial markets. In this context, the Bank of Albania supports the Ministry of Finance on the pilot project of issuing benchmark securities through Market Makers. The realisation of this objective will require investments in technology and human resources. Its realisation enables the development of a competitive, liquid, and transparent secondary market of securities.

4.2 PROMOTING FINANCIAL SYSTEM STABILITY

Financial stability is the ability of the financial system (institutions, markets and the relevant infrastructure) to efficiently carry out its functions (including financial intermediation), under normal conditions, also under the most adverse economic situations. In order to safeguard financial stability, it is necessary to prevent systemic risks and enhance the resilience of the financial system and the banking sector against them.

The objective of the macro-prudential policy is to address the systemic risks in the financial system.
4.2.1 MACRO-PRUDENTIAL POLICY

In light of its legal functions and in the situation where the banking sector dominates the Albanian financial system, the Bank of Albania plays a primary role for the implementation of the macro-prudential policy. This role is evidenced in the Macro-prudential Policy Strategy.

The Bank of Albania will engage in the assessment, monitoring and identification of the actions necessary for addressing financial system risks, focusing in particular on systemic risks and the banking sector. This activity, based on the best international standards and the procedures existing in Albania, will be carried out in collaboration with other public authorities, when necessary.

During the 2020-2022, the Bank of Albania aims at:

a) Developing macro-prudential instruments related with sectoral risks, where are included:
   a. credit risks for developing or purchasing real estate (within 2020);
   b. credit risks for consumer loans to households (within 2021).
   The Bank of Albania will complete the framework of data reporting procedures that allow the calculation and implementation of such instruments as the value of loan/value of collateral, value of loan (service)/income of families/households.

b) Enhancing internal procedures, in order to document the entire process of the macro-prudential policy cycle (within 2020);

c) Preparing a methodology for implementing the macro-prudential capital buffers for systemic risk (within 2020);

d) Developing methodologies and procedures for building the framework that enables the assessment of systemic risk deriving from the interaction/interconnection with the non-bank segments of the financial system (within 2021);
   To this end, the Bank of Albania shall aim to complete the needed database both qualitatively and quantitatively, requiring also the cooperation of the Albanian Financial Supervision Authority.

e) Completing stress tests’ methodologies for macro-prudential purposes (within 2022).
   The focus is on constructing models that assess the possibility of risk spillover amongst banks and non-bank financial institutions. For this purpose, the Bank of Albania will cooperate with international financial institutions or other units specialized in the provision of professional technical assistance.
Fulfilling the above objectives will enable the improvement of the quality of existing publications, the accomplishment of new assessments and increase of the range of publications in the framework of financial stability. This process will enhance the contribution of the Bank of Albania in identifying, preventing and assessing financial stability risks, in collaboration with other domestic and international institutions.

To achieve the above objectives, the Bank of Albania will utilize the existing human, financial and technical resources, by employing the synergies that are released from the cooperation between the departments that contribute directly on financial stability issues. If it will be proven necessary by the regular assessments on objectives’ fulfilment, actions will be taken accordingly to increase the existing resources.

4.2.2 LICENSING, REGULATION AND BANKING SUPERVISION

The main objectives of the supervisory function are to: safeguard confidence in the banking system; protect the depositors; promote market discipline and fair competition; as well as guarantee the sound activity of banks and financial institutions. All these contribute to strengthening the financial stability in Albania.

Through the implementation of on-site examinations and off-site analyses, the Bank of Albania identifies the risks to which banks and other licensed entities are exposed, as well as it assesses whether strategies, organisational structures and their policies, in addition to capital and liquidity levels, ensure a prudential and adequate management of these risks. The focus is on banks that recently have been subject of mergers by absorption, by changing their ownership, with the aim to intensify the monitoring and controlling level of them.

The consolidation achieved through purchase, acquisitions and merger of banks is expected to affect positively the increase of competitiveness and the efficiency of the Albanian banking system.

In order to implement and develop the best policies and practices for licencing, regulating and supervising the banking/financial activity, the Bank of Albania aims to:

a) Align the regulatory and methodological framework with the legislation of the European Union; adopt the Basel Committee principles; and address the issues observed and the suggestions submitted by supervised entities.

The key initiatives concern the harmonisation of the supervisory regulatory framework with: Basel III requirements; the European directives; and the guidelines and technical standards published by EBA. The focus is on
further updating and completing the regulatory framework for liquidity, large exposures, capital adequacy, and leverage ratio in accordance with the requirements of Basel III etc. The adoption of the new Draft-Law “On payment services in the Republic of Albania” shall be followed by the drafting of bylaws for its implementation, aiming the adoption of the directive on payment accounts.

b) Further consolidate the risk-based supervision

The configuration of the Supervisory Review and Evaluation Process, which will be reflected through the necessary methodological and operational updates, also with the assistance of partner international institutions, aims to provide the necessary capital reserves by banks. The quality of banks’ management will be subject to improved supervisory requirements by completing the review of the internal methodology for assessing their governance/management.

c) Further reduction of non-performing loans stock

The main indicator of non-performing loans has dropped significantly and the Bank of Albania has realised all its commitments for the full implementation of the measures under the National Plan for the reduction of NPLs. The further reduction of non-performing loans stock continues to remain a priority that will be accompanied with monitoring banks’ practices on creating loan loss provisions, in accordance with the national and international financial reporting standards (IFRS), development of the market for the sale of non-performing loans, encouraging banks to implement the recovery plans for large borrowers and orient new loans toward healthy sectors of the economy.

d) Continuously pursue the technological developments and innovations in the financial system and payment systems

The fulfilment of the above objectives will be achieved through steady cooperation and continuous share of information of common interest with foreign supervisory authorities and national authorities responsible for supervising the activity of entities licensed by the Bank of Albania.

For that, the adequacy of the technical and human capacities of the institution will be assessed. If necessary, increasing their number will also be considered.
4.2.3 BANKING RESOLUTION

The Bank of Albania, in its capacity as Resolution Authority, exercises its powers to ensure an organised intervention in troubled banks facing financial distress, by minimising its impact on real economy, public finances and financial stability.

The resolution objectives are: (i) to ensure the continuity of bank’s critical functions; (ii) to avoid every adverse effect on the stability of the financial system, by preventing the risk spill-over, including to market infrastructures, and protecting the discipline of the market; (iii) to protect public funds, by minimising the extraordinary public financial support; (iv) to protect depositors insured by the Deposit Insurance Agency; and (v) to protect funds and other assets of the clients.

In the framework of meeting resolution objectives, the Bank of Albania will focus on several key areas, in the medium-term period:

a) Strengthening the ability for resolution in banks

The Bank of Albania will engage in:

- Drafting and regularly updating resolution plans.

The Bank of Albania has realised the first cycle of resolution plans, by identifying the preferred strategy of resolution and potential barriers to its effective implementation. The resolution plan is initially realised for systemically important banks and shall be extended to all banks within 2022.

The second cycle of this process includes identifying critical functions for each bank, based on the information provided by them, through the recovery plans and internal estimations for 2018. Critical functions and their maintenance shall be updated for each individual resolution plan.

- Determining the target level of minimum requirements for regulatory capital instruments and eligible liabilities

In accordance with the resolution strategy identified in the respective individual plans, the Bank of Albania will initially define thresholds and subsequently the obligatory minimum requirements for regulatory capital instruments and eligible liabilities for each bank.

- Eliminating potential impediments to the implementation of the Law

The elimination of impediments to resolution is related to meeting the necessary conditions for maintaining the continuity of the critical functions of the insolvent
banks, ensuring its operational and financial sustainability, accessing in time the necessary information for resolution, drafting an effective communication plan among all parties to ensure access in the infrastructure of financial markets. The Bank of Albania will engage in the elimination of potential impediments resulting over the resolution planning process, for each resolution cycle.

b) Completing the resolution regulatory and methodological framework

The main duties related with this objective have to do with drafting and developing the regulatory framework to meet the requirements of the Law and the development of methodological documents in support of resolution plans and related decision-making. In this regard, over the period shall be completed the drafting of:

- the Regulation “On capital requirement instruments and eligible liabilities”, which shall set out the assessment of minimum capital requirement and eligible liabilities, as the main financing and re-capitalisation source to the bank in resolution, when the bail-in tool is applied. The resolution plans shall include the individual level of requirement for these instruments, for each bank, during 2020.
- the Regulation “On the bridge bank”, which aims at the operationalization of this instrument in case of its use in the resolution plan.
- the document “On the operationalization of the bail-in instrument”, for the effective implementation of the resolution plan.

c) Monitoring the Resolution Fund

The Bank of Albania will update the calculation of the target level of the Resolution Fund as well as the annual contribution by banks to meet this level. Also, it will continue to monitor the management of the financial assets of the Fund in accordance with investment policy approved in cooperation with the Deposit Insurance Agency.

d) Strengthening human and logistical capacities of the Resolution Authority

The Bank of Albania will engage in the implementation of the existing cooperation agreements and the signing of new agreements with counterpart resolution authorities at the European level, which enables the participation in resolution meetings, seminars and colleges, by improving the quality of information and the sharing of experience among various institutions.

The organisational structure of the Resolution Unit at the Bank of Albania is based on the principle of developing the skills of the specialists responsible for drawing up resolution plans, by portfolio of individual bank group, according to the approach: one systemically important bank and a group of non-systemic banks for one specialist. This approach allows drawing up qualitative resolution plans
and supporting them by removing barriers for each bank, in compliance with the Law.

Within the period 2020-2022, it is foreseen the automation of some internal work processes related with increasing the efficiency and improving the internal audit of the resolution function.

4.3 PROMOTING THE SMOOTH OPERATION OF PAYMENT SYSTEM

Through the smooth operation of the payments system, the Bank of Albania aims to ensure a safe and fast circulation of currency in the economy at minimum costs, prevent systemic risk, and safeguard the stability of financial institutions and markets.

Promoting the smooth operation of the payment system will be achieved through:

a) Strengthening the overseeing of the payment system; regulating payment instruments and services on electronic transfers

Within 2020, the Bank of Albania following the regulation of the operation activity of clearing and securities settlement infrastructures, will expand the institutional capacities as well as complete the necessary regulatory framework for implementing an effective overseeing of the operators.

In addition, efforts will be made towards consolidating the facilitating regulatory environment for retail payments. Within 2020, under the guidance of the Supervision Department, will be adopted the EU's Payment Accounts Directive. This aims to offer every person the right to a basic payment account, regardless his/her place of residence or financial situation, to improve the transparency of fees charged on these accounts, as well as to facilitate the switching of payment accounts from a bank to another.

Expanding the share of the population that owns a payment account and carries out transactions with it contributes to achieving the objectives set out in the National Retail Payments Strategy.

Subject to the adoption of the Draft-Law “On payment services in the Republic of Albania”, within 2020, will be the drafting of the regulatory framework implementation.

b) Reformer and catalyst role
The Bank of Albania aims to create a contemporary and comprehensive retail payments market, supported by safe and efficient infrastructures, as well as by a wide range of payment instruments and services that fulfil the needs of financially capable service users, across the country.

The National Payment System Committee (NPCS) and the National Retail Payments Strategy (2018-2023) play an important role in this regard. The Bank of Albania will continue to work on implementing the action plan for this strategy and organizing of meetings and other relevant activities in this regard.

c) Creation and operation of the payment systems

The Bank of Albania aims at promoting the use of electronic payment instruments, through infrastructural developments to guarantee a safe, fast circulation of the currency in the economy and at a low cost.

Within 2020, the terms of reference for the implementation of euro transfers settlement by clients of commercial banks in the Albanian territory will be drafted. The implementation of the relevant infrastructure will be realized during 2020.

The drafting of the interbank direct debit scheme is expected to be finalised during 2020.

In the period 2020-2023 work will be devoted to the creation of a national platform for processing SWITCH electronic payments and Instant Payments. This includes the drafting of the visibility plan, the terms of reference for the functioning of the scheme/infrastructure, the implementation of the chosen infrastructure and the implementation of the project.

In terms of expanding the participation in the Clearing System for Small Value Payments (AECH), efforts will be made to identify the necessary infrastructural developments and the regulatory changes to accommodate the participation of non-bank financial institutions in this system, as well as mitigating potential risks.

4.4 ISSUE AND CIRCULATION OF THE ALBANIAN CURRENCY

The Bank of Albania aims to maintain public confidence in the national currency, through guaranteeing the quality of banknotes and coins, and fulfilling the need of the economy for money, safely and efficiently.

In the medium-term, the Bank of Albania aims to:
a) **Fulfilling the needs of the economy for cash, fit for circulation.**

The continuous study of the growing needs of the economy for cash, fit for circulation, is the main focus of the following medium-term period. This will be realised through:

- monitoring monthly the amount of cash (logistic and strategic funds), compared to the economy’s demand for money, under ordinary and extraordinary situations;
- producing banknotes with improved design and putting them into circulation within the following deadlines:  
  - 1000 LEKË banknote within 2020,
  - 2000 LEKË and 500 LEKË banknotes within 2021;
  - Producing and putting into circulation of the new issue 10,000 LEKË banknote within 2020.

b) **Improving the quality of banknotes in circulation by enhancing the processing efficiency and capacity.**

Guaranteeing the quality of banknotes is aimed firstly at preserving their integrity, in relation with the public that uses them, and upholding a dignified image of the Bank of Albania and the Albanian state. This will be realised through:

- further development of automated and contemporary processing, packaging and destruction of banknotes at the cash centre;
- permanent control of the banking system and encouraging it to use systems certified and authorized by the Bank of Albania for accepting and processing banknotes.

c) **Protecting against counterfeiting**

Protection against counterfeiting aims to maintain and boost public confidence in the national currency. This objective will be realised through:

- improving the security features of the Albanian banknotes;
- improving human capacities and skills of the staff through training, qualifications and participation in seminars and workshops on the prevention and protection of banknotes from counterfeiting;
- increasing cooperation in the field of fight against counterfeiting, by formalising agreements with relevant authorities at national and European level;
- organising seminars with employees of the financial system, to inform, guide and train them on the security features of Albanian banknotes, as well as the factors that minimize their counterfeiting.
d) Improving the administration and enhancing the physical security of monetary values.

The Bank of Albania will strengthen the control practices and physical protection measures, which guarantee security and intactness of the monetary values it administers, in light of issue and treasury functions, in accordance with the best relevant practices. This will be realised through:

- reviewing, as necessary, the procedures for the administration of such values, in order to perfect them in accordance with the highest standards;
- improving the computer systems for the management of values;
- improving the conditions and premises where values are stored and held.

4.5 MANAGEMENT OF FOREIGN EXCHANGE RESERVES

The Bank of Albania adopts and implements the exchange rate policy and manages the foreign exchange reserve of the Republic of Albania, in accordance with the best international practices.

Reserve management aims to:

- meet the foreign currency liquidity needs in related to the implementation and support of the monetary and exchange rate policies, and safeguarding the financial stability;
- safeguard the reserve fund, as a whole, by keeping under control, in the most prudent way, liquidity, market, credit, legal, settlement, custodial and operational risks; and
- generate reasonable income, in the medium and long-term period, in accordance with investment and risk management objectives, as long as this does not oppose with the liquidity and security criteria set out above.

In order to better manage the foreign exchange reserve, the Bank of Albania aims to diversify the investment instruments including: (i) Covered bonds; (ii) Future contracts; (iii) Reverse REPO; (iv) MBS (mortgage backed security); (v) ILB (inflation linked bonds).

Achieving this objective will require continuing staff training and sharing experiences with counterpart institutions and partner commercial banks; increasing the capacity of current systems or purchasing a new system to support the expansion of the classes of instruments in which investment is done; as well as making regulatory adjustments and the need for external legal counselling for the Global Master Repurchase Agreement model with various banking institutions for REPO instruments.
4.6 DRAFTING AND DISTRIBUTION OF STATISTICS

The Bank of Albania aims to provide the public with comprehensive statistics, which are compiled in accordance with international standards and serve as a basis for the implementation of monetary, macro and micro-prudential policies.

Providing qualitative statistics and analysis to public institutions, financial market participants, media, international bodies and the general public is aimed to endorse policy-making and explain financial markets’ developments. Meeting the quantitative standards of international methodologies and the legislation of the European Union, on the content and reporting of statistics to European/international bodies, requires building granular databases to increase the micro-macro consistency and to allow for the construction of new indicators. The Bank will also work on compliance with statistics quality criteria, in line with international standards on data quality, as well as promoting the dialogue with data users to better identify their needs.

The key objectives in the field of preparation and distribution of statistics are:

a) Development and implementation of international standards and requirements

i. The implementation of Regulation No 2016/867 of the European Central Bank on the collection of granular credit and credit risk data, in order to implement new reporting requirements from the banking system, in the framework of Credit Registry and to set up a database with detailed information on loans granted to natural and legal persons. The Credit Registry will be updated within 2020, enabling the standardisation of the collected information for supervisory, statistical and macro-prudential policies, for monetary policy operations and research operations at the Bank of Albania.

ii. The implementation (within 2020) of Regulation No 2015/730 of the European Central Bank concerning statistics on holdings of securities, as well as development of a comprehensive database, with detailed information regarding the securities held by the lending institutions and their affiliates in the country. This will enable more detailed and qualitative data on securities, by deepening the know-how for the implementation of the monetary policy and financial stability objectives.

iii. The consolidation of sources of information and the assessment methodology in the compilation of Financial Accounts, for all economic sectors, in accordance with the requirements of the European Central Bank and Eurostat. The Bank of Albania will develop methodologies for debt assessment of non-financial corporations and households and will publish
quarterly harmonized financial accounts for all economic sectors. This will serve to complete, within 2021, the analytical framework for monetary policy and financial stability decision-making.

iv. The completion of the framework of financial soundness indicators through the development of assessment methods on drafting additional indicators relevant to the assessment of the soundness of the banking sector and banks in particular, related to the activity of other financial institutions, non-financial corporations, households and real estate markets. This serves to the complement of the analytical framework, within 2021, in support of evaluation analyses and macro-prudential policies.

v. Approximation with Regulation No 1071/2013 of the European Central Bank concerning the balance sheet of the monetary and financial institutions. The regulation, reporting system and relevant guidelines will be drafted during 2020, thus enabling the harmonisation with the European Union standards in the field of drafting monetary aggregates, ensuring compliance with the reporting requirements of the European Central Bank.

b) Improving the infrastructure for collecting, processing and sharing statistical information

This objective will be achieved through: (i) improvement of technological infrastructure thanks to the automation of the production process of statistics, within 2020; (ii) further investment in the Regulatory Reporting Electronic System for the creation of a dynamic platform, multi-dimensional database (Data Warehouse and Business Intelligence Tools), within 2022; (iii) increase of cooperation with other statistical agencies, through memoranda of understanding and joint activities.

c) Increasing new statistical indicators through:

- fulfilment of the obligations deriving from the “Action plan on Economic, Monetary and Financial Statistics for candidate and potential candidate countries in the European Union”:
  o reporting of international trade in services and balance of payments statistics by geographical breakdown, which will enable the expansion of the statistics indicators base, increase the level of details and the degree of coverage of the indicators (within 2021),
  o drafting, publication and reporting balance of payments statistics, monthly, (within 2020), and
  o drafting, publication and reporting statistics of companies of Albanian origin, abroad (OFATS, in cooperation with INSTAT).
4.7 SCIENTIFIC RESEARCH

The Bank of Albania aims to prepare qualitative economic studies, contributing to better understanding the Albanian economy and the social, economic and political processes affecting it. Research in the field of economics and finance aims at investigating the hypotheses put forward in the economic analyses and research.

The main medium-term objective in the field of scientific research is to integrate the results of economic research and empirical analyses, in order to advise and endorse decision-making, in view of objectives related to monetary policy, financial stability and financial market regulation. Innovation, competence and professionalism are values that are sought to incorporate in the field of research, based on the interaction and creativity of each organisational unit.

The Bank of Albania will develop and test statistical techniques for structuring and using the statistical information generated by developments in the field of information technology and their dissemination in every aspect of the economic and social life. To this end, the aim is to implement and use research methodologies based on the “Big Data” platform, for conducting analyses and making forecasts for economic developments.

“Big Data” is a new standard of central banks that enables the perception of databases, methodologies and software necessary to analyse and interpret statistical data. The systematic use of this platform will be part of the analyses and forecasts of the Bank of Albania, to support decision-making and to guarantee monetary and financial stability.

In the framework of supplementing microeconomic statistical data and of studying Albanian consumers’ behaviours, the statistical databases on the Albanian households and their economic and financial characteristics will be expanded. This objective will be realised through statistics surveys. The primary goal is to:

- present a new statistical data set on households;
- improve and deepen research work, for the implementation of monetary policy and financial stability objectives.
- unify data sources in accordance with the best European and international standards.

The Bank of Albania aims at promoting discussion and analyses, focusing on the following aspects:

- reorganising and elevating the level, form and academic content of research activities, like the Friday Seminar and the Research Workshop;
- publishing scientific research in international renowned journals on economy and finance;
- increasing scientific research capacities, through the collaboration with higher education institutions and participation in international seminars and conferences, to enhance interaction with academia, within the country and abroad, on topics of interest to the institution.

4.8 GOOD GOVERNANCE OF THE INSTITUTION

The Bank of Albania aims at further strengthening the good governance, through enhancing the institutional independence, transparency and accountability, in accordance with the obligations arising from the gradual approximation process with the legislation of the European Union. To this end, the Bank of Albania aims at fully harmonising its organic Law with the Statute of the European System of Central Banks.

In compliance with the independence principle, the Bank of Albania aims at having available adequate human, physical and capital resources to fulfil its legal mandate.

The sustainable development of human resources, to guarantee the services and address new challenges includes: (i) adopting the best practices in human resources management; (ii) effectively using the technological capacities; (iii) promoting a work culture based on cooperation and exchange of professional experience; and (iv) providing qualitative training that creates the basis for implementing new processes/methods.

In view of compatibility of budget forecast with the Medium-term Strategy, the aim is to automate the budget drafting process, which includes also the assessment of the needs and alternatives for a budget planning module. Also, the Bank aims at improving the detailing process of these strategy objectives in financial plans, to support the draft and approval of both annual and medium term budget. To this end, the best practices and models offered by the IMF missions, to develop a guideline for financial management and budgeting in line with the Strategy, will be used.

The Bank of Albania aims at drafting and publishing the financial statements which accordingly show the financial situation of the institution, in compliance with IFRS. It poses the implementation of the adequate accounting policies for the institution. The amendments in the existing IFRS and the application of new standards in accounting policies and their implementation will be reflected during the medium term. It requires the updating of the staff with the latest innovations and publications about the accounting standards and their interpreting by the International Accounting Standards Board.
The Bank of Albania investments will focus on: (i) reconstruction of the Building No 2 of the Bank of Albania; and (ii) the construction of a new building for the needs of the Issue Department. The enhancing of efficiency and effectiveness in procurement procedures aims to realise these procedures within the timeframe and at the required quality.

The projects for the improvement of informatics infrastructure will focus on: (i) expanding and improving the network infrastructure, optimising and virtualizing central appliances for a better management, improving the related costs and services, as well as adopting the new environmental-friendly technology and energy efficiency; (ii) automating the Balance of Payments, which will directly affect the increase of quality, performance and security of this process; (iii) improving the Credit Registry and foreign reserve management system; (iv) expanding the functionalities of the payment systems; and (v) strengthening the security of information technology based on the best international standards and practices. In particular, this includes the implementation of the changes in SWIFT-CPS (Customer Security Program).

In fulfilling the strategic objectives, an important role is also played by the Internal Audit System, which contributes to the effectiveness of the institution, compliance with management policies, maintenance of assets, prevention and discovery of frauds and errors, accuracy and completeness of accounting registrations, as well as timely preparation of reliable financial information.

The Bank of Albania will work on: (i) implementing the recommendations resulting from the external and internal assessment of the quality of internal audit function, in order to fully comply with the international standards in this field; (ii) increase the independence and quality of internal audit, by strengthening its reporting lines with the administrators and the Audit Committee; and (iii) enhancing the awareness of the staff on the functioning of the Three Lines of defence model on effective risk management and control.

Particular attention will be given to strengthen the role of the Audit Committee, by enabling a deeper focus and higher effectiveness of the Supervisory Council in addressing issues related to transparency and accountability at the Bank of Albania.

The Operational Risk Management (ORM) framework will regularly inform and support the decision making on risks that may prevent the accomplishment of objectives, or have negative financial and/or reputational effects to the institution. The maturity level of ORM framework will increase and be consolidated, to serve as a core instrument for the assessment from the International Operational Risk Working Group and the self-assessment of the Bank of Albania’s capacity for the well-management of operational risk.
Business Continuity Management (BCM) Programme - the establishment of strategic and tactic capabilities to plan and respond on time to events, operational crisis and disruption of the business activity, without affecting the continuity of operations - has been completed. Subsequent work will focus on the continuous updating of changes in the BCM strategies for the recovery of processes, sources and business continuity plans and Emergency Response Plans adopted by the Administrators.