

THE MEDIUM-TERM DEVELOPMENT STRATEGY OF THE BANK OF ALBANIA 2022-2024

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The medium-term development strategy provides guidance on the activity of the Bank of Albania over the following three-year period. The strategy identifies the challenges encountered by the institution and prioritizes the principal objectives by also planning the appropriate activities to achieve them.

The strategy serves as a guiding framework for the budgeting process in the Bank of Albania. The forecast process of income and expenses of the institution is organised for the accomplishment of tasks set forth in the organic law and the strategic objectives.

The adoption of the Strategy by the Supervisory Council constitutes a significant aspect of the role of the highest decision-making and supervisory body of the Bank of Albania. This is an essential element of good governance of the institution for: allocating responsibilities among governing bodies; establishing priorities; identifying the tools for the fulfilment thereof; and monitoring the performance realised.

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 primary objective of the Bank of Albania is to achieve and maintain price stability, which is the best contribution of the monetary policy for sustainable and long-term economic growth;
- ii) issue and circulate the Albanian currency, by guaranteeing the quality of banknotes and coins, providing a 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 risk, and safeguard the stability of financial institutions and markets.

The Bank of Albania promotes financial system stability - 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; and ensuring organised intervention in failing banks, to minimise the impact on real economy and public finances of Albania.

2. VISION

Adopting high standards of professionalism and good governance with a view to guaranteeing the fulfilment of the mission and boosting public confidence in the Bank of Albania, through:

- a) strengthening the independence for accomplishing the mission and achieving the legal objectives, in conformity with obligations arising from the gradual approximation of our legislation and policies with the EU legislation;
- b) increasing the accountability to the public for the fulfilment of the main duties, as well as the primary objective and other legal 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) enhancing 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:

- 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

The organic law sets forth the priority activities of the Bank of Albania. In accordance with the primary objective - to achieve and maintain price stability - the Bank of Albania promotes and supports: (i) foreign exchange system; b) internal financial market; c) payment systems; and d) 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 PRICE STABILITY AND MACROECONOMIC STABILITY

Ensuring the price stability, the Bank of Albania: enables the maintaining of purchasing power of Albanian families and enhances their confidence in both national currency and financial sector; contributes in taking sound decisions for savings and investments; supports the creation of job positions; and helps in safeguarding the financial stability.

The monetary policy is anchored on an inflation targeting regime - at an inflation rate of 3% over the medium term - and is based on a floating exchange rate regime.

For the period 2022-24, the monetary policy priorities of the Bank of Albania are: (i) further improving the monetary policy drafting and implementation framework with a view to effectiveness, efficiency and coherence in fulfilling its role; (ii) increasing coordination with fiscal and macro-prudential policies; (iii) boosting the development of domestic financial markets; (iv) further improving transparency and understanding to the public; and (v) strengthening dialogue and cooperation with national and international partners.

Fulfilling these priorities will contribute to the improvement of monetary policy decision-making quality.

The monetary policy strategy reflects the achieved results, the best international practices, and the powers that shape the economic and financial developments as well as the challenges of future. The analysis and lessons learned from triggering the pandemic caused from COVID-19, analysis of implications of the continuous innovation of financial products and markets, and the monitoring of climate risks to the economic and financial environment where the Bank of Albania operates have an important place.

a. Improving the monetary policy framework

In view of enhancing effectiveness of the monetary policy, the Bank of Albania will invest to: further improve the quality of economic and financial analyses; increase accurateness of forecasts and their completion with alternative and/or risk scenarios; assess the options of the monetary policy reaction, and identify the most efficient alternatives.

This objective will be achieved through improving and updating monetary policy forecasting and analysis models, applying contemporary modelling techniques, updating its staff with the latest information, and adopting the best international practices in the scientific research field and empirical assessment on the functioning of the Albanian economy and financial markets.

b. Strengthening coordination with fiscal and macro-prudential policies

Increasing monetary policy effectiveness requires a good coordination with the other instrument of the state intervention into the economy - fiscal and macro-prudential policies - which have a crucial impact on determining the monetary and financial stimuli and on the aggregate demand level. A better coordination of these policies aims at yielding higher results related to the sustainable and long-term growth of Albania.

Enhancing the share of information and the dialogue with fiscal authorities and improving the analysis instruments and forecasting their impact on the economy and public finances of Albania.

In no case this coordination will jeopardise the independence of monetary policy and the commitment of the Bank of Albania to meet its main objective.

c. Promoting the developments of the domestic financial markets

The development of financial markets is crucial to improving the monetary policy pass-through mechanism and enhancing monetary policy effectiveness.

In collaboration with international partners (EBRD), a project on diagnostic of obstructions for further development of interbank money market shall be applied. The purpose of this project is to assess all the participant actors or those that impact the developments of interbank money market, identify the weak points and provide recommendations for the further development, with the final objective the effective monetary policy pass through.

The Bank of Albania will continue to support the Ministry of Finance and Economy, in the project for issuing benchmark securities through Market Makers, by providing priority to the developments in the information technology systems and increase the employees' know-how. The realisation of this project will enable a secondary competitive and transparent market for liquid securities.

Within 2022, the Bank of Albania will gradually conclude the intermediary activity in buying and managing the Albanian Government's securities accounts for individuals, by transferring this activity completely to commercial banks.

With a view to enhancing the monetary policy pass-through process, the Bank of Albania aims to expand the list of financial products through SWAP agreements, as well as the conduction of auctions for purchasing/selling foreign currency at FORWARD market, in addition to SPOT one.

d. Improving the communication with the public

An open and direct communication with the public which clearly and simply explains the reasons on the back of every decision-making; provides the necessary information to economic agents to take the right decision, in a timely manner; reduces the economic and financial uncertainties; and increases the effectiveness of monetary policy.

The published information will encompass new data and forecasts, which will enhance the comprehensibility of the decision-making and the public accountability of the Bank of Albania.

e. Enhancing the cooperation with partners

The Bank of Albania will continue to support the structural reforms across the board, in compliance with its legal mandate as advisory to policies which affect the indicators and/or the Albanian financial system. In particular, the collaboration with fiscal authority will be further consolidated drafting for the strategic documents for the economic development of Albania.

f. 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.

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.

4.2 FINANCIAL SYSTEM STABILITY

Financial stability is the ability of the financial system (institutions, markets and the relevant infrastructure) to efficiently carry out financial intermediation and other functions, 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 both the financial system and the banking sector against them.

4.2.1 MACROPRUDENTIAL 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 macroprudential policy. This role is evidenced in the Macroprudential Policy Strategy approved by the Supervisory Council.

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

During the medium-term period, the Bank of Albania aims at:

- a. Enhancing the role of the Bank of Albania in the framework of macroprudential policy, through the endorsement of clear legal definitions, in compliance with the international standards (within 2024).
- b. Improving the implementation processes of macro-prudential policy: (i) enriching macro-prudential instruments related with sectoral risks, including the approval of sub-legal framework on instruments for the borrower (within 2022), and operationalisation for implementing the macro-prudential capital buffers for systemic risk (within 2023); and (ii) stress tests for macroprudential

purposes, including the sensitivity against the interconnection of banking sector to other sectors of the financial system and to the economy (within 2022).

- c. Assessing the impact and risks of climate change on the behaviour of banking and financial activity and the possible instruments to address them (within 2023).
- d. Improving the publications addressing financial stability and macroprudential policy issues.

4.2.2 SAFETY AND SOUNDNESS OF THE BANKING SYSTEM

The Bank of Albania, through licensing, regulation and supervision of the banking/financial activity, aims at upholding confidence in the banking system, protecting depositors, promoting market discipline and fair competition, as well as guaranteeing the sound activity of bank and financial institutions. All these contribute to strengthening financial stability in Albania.

- a. **Aligning the supervisory framework with the European and global standards.**

Adoption of the international standards on capital and liquidity of Basel III and their implementing acts in the European Union (regulation and directive on capital requirements) aims at strengthening the banking sector's resilience, to be in a better position to absorb shocks. It also aims that banks continue to finance the economic activity and growth.

The focus over the medium-term period will be on:

- updating the regulatory framework on liquidity and capital adequacy related to Pillar 1 risks - credit risk, market risk, and operational risk - pursuant to Basel III requirements and the interest rate risk in the banking book (IRRBB);
- revision of the applicable requirements of Pillar 2 for the internal assessment process of capital adequacy (the economic and the normative perspectives); and approval of regulatory requirements of the internal process on liquidity adequacy to banks; and
- completion of the licensing and supervisory framework of risk management in the activity of payment institutions and e-money institutions, pursuant to the requirements laid down in the Law on Payment Services.

- b. **Consolidating the risk-based supervision**

The implementation of necessary methodological and operational developments, with the assistance of international partner institutions, aims to provide a better

calibration of differentiate capital requirements, according to the bank's risk profile.

The new methodological developments will be implemented in parallel with the existing methodology for a transitional period of three years. The quality of bank management/governance will be subject to improved supervisory requirements.

c. Strengthening cooperation in supervision field

The combination of the activity of banks with non-bank financial institutions and financial activities out of the supervision area of the Bank of Albania requires the strengthening of cooperation and information sharing with other supervisory authorities of the Albanian financial market.

Collaboration with the Albanian Financial Supervisory Authority, the Albanian Deposits Insurance Agency and the General Directorate for the Prevention of Money Laundering, will be strengthened, by focusing on the conduction of joint inspections in entities subject to supervision.

Pursuant to the Memoranda of Understanding with the European Central Bank, the participation in supervisory colleges for the main cross-border European banking groups will continue. In addition, focus will be on entering into cooperation agreements with other central banks.

d. Regulating of non-performing loans management

Non-performing loans affect negatively the banks' ability to credit the economy. The Bank of Albania aims to draft a guideline on the early and thoroughly addressing of non-performing loans portfolio issues, for the management of the current stock, and prevention the accumulation of new NPLs in banks' balance sheets. This aims at reducing the non-performing loans in banks' balance sheets, by orienting them towards an effective management of these loans. The guideline will be based on the approach of non-performing loans addressing in Europe, the so far experience of Albania and on the specifics of the Albanian market.

e. Improving the quality of decision-making in bank lending

The implementation of an assessment system on the borrowing power of enterprises will strengthen the supervisory capacities. The construction of this system will be based on the assistance of the European homologue institutions. This system aims to assess the financial quality of enterprises compared to reference indicators to all borrowers, depending on the performance of their credit relationship with banks in Albania. This will serve to assess credit portfolios' quality and construct the assessment parameters of accounting provisioning, pursuant to the International Accounting standards.

f. Reviewing the reporting framework

Banking entities will be subject to International Accounting Standards and International Financial Reporting Standards. To this end, the whole reporting process of banks' financial statements needs to be revised, pursuant to the standards in place by the European supervisory authorities. The Bank of Albania will conduct the necessary regulatory amendments to adopt with the International Accounting Standards by maintaining the supervisory parameters in the time series of the reported data.

4.2.3 BANKING RESOLUTION

The Bank of Albania, in its capacity as Resolution Authority, exercises its powers to ensure an organised intervention in failing banks, to minimise the impact on real economy, public finances and financial stability of Albania.

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

The Bank of Albania will focus on the following key areas, in the medium-term period:

a. Annual cycle of resolution plans

The Bank of Albania updates every year the resolution plan for each bank. In 2022-2024, the annual plan will focus on the continuous strengthening of the banking sector's ability for the implementation of resolution.

With a view to identify and address possible impediments to the resolvability, action plans will be drafted for each bank, which include:

- strengthening the governing framework regarding the resolution;
- identifying the critical human resources for the continuation of the main activity;
- adequacy of the information system management for the effective realisation of resolution;
- drafting contingency plans for the operational and financial support of resolution and the relevant communication plans; and
- continuously meeting the target level of minimum requirements for regulatory capital instruments and eligible liabilities.

The Bank of Albania will monitor and support the strengthening of the ability for resolution in banks, through an active communication and regular inspections, aimed at operationalising the resolution plans, pursuant to the requirements adopted by the Supervisory Council.

b. Minimum requirements for regulatory capital instruments and eligible liabilities

Banks will regularly update the methodology on determining the minimum requirement, by considering the capital requirement in force during each year and the transitional period, up to the final completion of the minimum requirement. Banking sector will gradually meet the minimum requirement on regulatory capital instruments and eligible liabilities, during the period 2022-2027.

c. Addressing the impediments to resolution

The drafting of resolution plans to all banks that conduct their activity in Albania has been concluded. An executive summary of relevant plan shall be communicated to each bank, to address all the possible impediments to resolution which are identified in the plan.

Within 2022, each bank will conduct a self-assessment process of its ability to effectively implement the resolution plan and to address the potential identified impediments, based on the objectives of the ability for resolution set forth in the applicable legal framework. The self-assessment will also include the recommendations provided from the Bank of Albania being identified throughout the annual communication with the bank and during the on-site examination.

During 2023-2024, the Bank of Albania shall determine the individual work plan for addressing the possible impediments to each bank. The Bank of Albania will continuously monitor the measures taken by banks for eliminating the identified impediments and the updating of the assessment on the ability for resolution.

d. Improving the regulatory and methodological framework

Practices in the field of resolution will be harmonised with the developments in the European legislation. The Bank of Albania will regularly update the annual technical methodology for determining the minimum requirement, pursuant to the approach published by the Single Resolution Board of the European Banking Union.

e. 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.

f. Strengthening human and logistical capacities of the Resolution Authority

The Bank of Albania will engage in the enhancement of the cooperation relationships with the homologue European authorities, through agreements which enable the participation in resolution meetings, workshops and colleges, for improving the quality of information and sharing of experience among various institutions

Over the next medium-term period, the work processes will be further automated, in terms of increasing the efficiency and improving the internal audit of the resolution function; particularly those related to the reported data by the banking sector for the drafting of resolution plans.

4.3 SMOOTH OPERATION OF PAYMENT SYSTEM

Through the smooth operation of the payment 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. Further operation and development of payment systems, based on market needs

The Bank of Albania aims the safe and effective operation of both Albanian Interbank Payment System (AIPS) and the Albanian Electronic Clearing House (AECH).

To this end, the objectives over the medium-term period are:

- implementing the undertaken regulatory and infrastructural innovations, such are: (i) operationalisation of Direct Debit scheme; (ii) expansion of participation in payment system with new actors in the market; and (iii) operationalisation of payment settlement in Euro within Albania;
- strengthening the collaboration with the National Payment System Committee;
- enhancing collaboration with the World Bank, the European System of Central Banks and the central banks of Western Balkans.

- b. Regulation, licensing and oversight of payment systems and its crucial elements, including the promotion of the well-functioning of payment services and instruments.

The objectives in view of the National Retail Payments Strategy are:

- Consolidation of a facilitating regulatory environment for retail payments and the implementation of the Law on Payment Services.
- Improvement of individuals' access to banking accounts, through the adoption of the EU Directive on Payment accounts. The Bank of Albania aims to: (i) offer every person the right to a payment account with basic features, regardless of his/her residence or financial situation; (ii) improve the transparency on fees charged to these accounts and competition in the market, by expanding the central database on commissions for payment services; and (iii) facilitate the switching of payment accounts from a bank to another.

In the above projects, the Bank of Albania benefits from the World Bank's technical assistance, funded by the Swiss State Secretariat of Economic Affairs (SECO) and other international collaborators.

The Bank of Albania will continue the efforts towards consolidating the oversight of securities settlement systems, and the collaboration with the Albanian Financial Supervisory Authority in this regard.

c. Promoting the efficiency in payment system

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 payments instruments and services that fulfil the needs of financially capable users, across the country.

The National Payment System Committee and the National Strategy on Retail Payments play an important role in this regard. To that end, the Bank of Albania will:

- continue to work on implementing the Strategy and organizing meetings and other relevant activities in this regard, including financial education;
- support market players through studies and consultations related to the development of national and/or regional infrastructures for the settlement of fast payments; and
- coordinate the other inter-institutional initiatives which are interconnected with the objectives and measures taken by the Committee.

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, both in value and structure.

In 2022-2024, 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 over the course of 2022.

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 objective will be realised through:

- continuous adoption of both technique and technology to ensure automated processes and contemporary systems for processing, packaging and destruction of banknotes at the cash centres;
- 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. Protection against counterfeiting

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

- studding and improving security features of the Albanian banknotes;
- continuously improving capacities and skills of the staff through training,

qualifications and participation in seminars and workshops on the prevention of counterfeiting and protection of banknotes against it;

- increasing cooperation in the field of fight against counterfeiting, by formalising agreements with relevant authorities in this view;
- organising seminars with employees of the financial system, to inform, guide and train them on security features of Albanian banknotes, as well as factors that minimize their counterfeiting.

d. Improving the physical administration of monetary values

The Bank of Albania will strengthen the physical control practices, 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 FOREIGN EXCHANGE RESERVE MANAGEMENT

The Bank of Albania adopts and applies 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 foreign-currency liquidity needs related to the implementation of the monetary and exchange rate policies, preserving the financial stability and covering the country's needs in times of crisis;
- 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) MBS (mortgage backed security); (ii) Reverse REPO; (iii) ESG instruments (environmental, social and governance investing); and (iv) ILB (inflation linked bonds).

Achieving this objective will require:

- a. continuous staff training and sharing experiences with counterpart institutions and partner commercial banks;
- b. a new programme/system for the management of foreign reserve portfolio, adopted to the needs for diversification of portfolio through the expansion of new classes of financial instruments. This system will enable the management, measurement and reporting of embodied risk, or results/income created during the portfolio investment;
- c. continuous updating of regulatory framework, in compliance with the new alternatives in investment 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 DISSEMINATION 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 the monetary, macro and micro-prudential policies.

Statistical function is an important factor to compile policies and endorse policy-making, as well as to communicate and monitor their effectiveness. Statistics are crucial to the transparency and public confidence of the Bank of Albania.

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

- a. **Methodological approximation of statistics with the international standards and the legislation of the European Union**

This objective will be achieved through:

- adoption of the European Union standards on the compilation of monetary aggregates and financial stability indicators (reporting of balance sheet items of credit institutions and monetary and financial institutions; statistics on the assets and liabilities of investment funds; statistical reporting requirements to insurance companies; statistical reporting requirements to pension funds);
- improvement of legal framework (and quality aspects) on the collection of supervisory data, production and dissemination of supervisory statistics to banks, in compliance with the implementing technical standards on supervisory reporting of the European Banking Authority (EBA).

Prudential reporting of banks to the Bank of Albania and the adoption of the corporate standardised financial reporting framework in Europe (FINREP), in accordance with the European Banking Authority standard, will enable:

- the establishment of a broad banking database for the better risk management through the supervised entities;
- easing of reviews, forecasts of the risk performance and analysis for a greater transparency in risk accumulation in the banking industry;
- share of information with other authorities in Albania and abroad, on entities conducting cross-border transactions;
- full compliance of regulatory reports and technical standards of statistical production with the European Commission requirements. The platform shall be based on the standardised language for the processing and required reporting of central banks to the European Banking Authority and to the European Central Bank.

b. Enhancing the quality and integrity of statistics to endorse policy making and explain developments in financial markets

Development of an integrated system of data is related to the commitment for good governance of statistical function. This system will enable the integrated, efficient and secure management of data which are collected and disseminated by the Bank of Albania.

4.7 SCIENTIFIC RESEARCH

The Bank of Albania aims to prepare qualitative economic studies in its fields of interest, contributing to the understanding of the Albanian economy and the social, economic and political processes affecting it.

The main objective in the field of scientific research is to integrate the results of economic research and empirical analyses, in order to endorse decision-making related to monetary policy, financial stability, supervision, financial market regulation, and other aspects of central banking.

The research will focus on the study of new phenomena to academia and central banks - climate changes, shocks from natural disasters/pandemic; demographic developments; digitalisation; balance sheet policies - their effects on both economy and financial system, to understand the risks they pose and their implications to the Bank of Albania functions.

The development of dedicated models for studying and interpreting the effects of these phenomena on the Albanian economy, aims at their transforming into

analysis and orientation platforms of the monetary policy and financial stability decision making.

The Bank of Albania will continue to apply contemporary methods for testing the hypothesis and assessing the effects of economic and financial phenomena, both domestic and external ones, in view of its forecast and decision making.

In methodological aspects, the implementation of models with volatile timely parameters and of research methodologies based on "Big Data" and "e-Machine Learning" platforms, aims at their applications in processing and analysing the macro and micro statistical information. The statistical databases will be expanded with information on the behaviour of the Albanian households and enterprises, and their interaction to the decision making of the Bank of Albania.

Capacities and utility of research projects will be enhanced, by promoting discussion on research products, through:

- Collaboration with academia and joint national and international activities;
- elevating the academic content of research activities, such as the Friday Seminar, Research Workshop and scientific conferences;
- publishing scientific research in international renowned journals on economy and finance.

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 European Union legislation.

The Bank of Albania aims at having available adequate human, physical and capital resources to fulfil its legal and strategic objectives, by particularly paying attention to the policies on employment relationships; qualification and career development.

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

In view of detailing process of these strategy objectives in both annual and medium-term financial plans, the Bank of Albania will improve the management processes of assets and financial sources, in compliance with budget forecasts and regulatory framework. To this end, the implemented practices will be further developed by using the best experiences and the technical assistance provided by the IMF missions.

The Bank of Albania aims at drafting and publishing the financial statements which accordingly show the financial situation of the institution, in compliance with the International Financial Reporting Standards (IFRS). This requires the implementation of adequate accounting policies for the institution. Amendments to requirements in the existing IFRS and the application of new standards in accounting policies and their implementation will be reflected during the medium term. The staff will be updated with the latest developments about the accounting standards and their interpreting by the International Accounting Standards Board.

The Accounting Manual will be revised, to provide a complete framework of Accounting Policies which helps in interpreting and implementing the accounting policies in compliance with IFRS, within the context of the Bank of Albania's transactions.

The Bank of Albania aims at enhancing the effectiveness of procurement procedures, ensuring the proper use of funds and reducing its own expenditures. The construction of a new building for the needs of the Issue Department will be on the focus of the Bank of Albania investments, in compliance with the projection designed by the Bank of Albania's staff and the procured project implementation.

The information technology 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) increasing services and enhancing the sustainability of clearing and settlement systems, as well as of other internal systems; (iii) automating the processes for increasing performance and security; (iii) further modernising the statistical data collection and processing; and (iv) strengthening security pursuant to the international standards and best practices, by including cybernetic protection and the implementation of the changes in SWIFTCPS (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 preparation in timely manner of reliable financial information.

The Bank of Albania will work on: (i) implementing the plan of measures for recommendations resulting from the external and internal assessment of the quality of internal audit function, in order to fully comply with and continuously update the regulatory basis with the international standards in this field; (ii) increasing the independence and quality of internal audit, by strengthening its reporting lines with the administrators and the Audit Committee, as well as enhancing human capacities through recruiting procedures and activities for the continuous professional development ; and (iii) bolstering the awareness of the staff on the functioning of the Three Lines of Defence model on effective risk management and control.

The role of the Audit Committee will be strengthened, regarding: (i) integrity of financial reporting process; (ii) adequacy of internal audit system; (iii) performance of internal and external audit functions and operational risk management; and (iv) compliance with the legal and regulatory framework. This will enable a deeper focus and higher effectiveness of the Supervisory Council in addressing issues related to transparency and accountability of the Bank of Albania.

The Operational Risk Management (ORM) will focus on: (i) increasing the risk culture; (ii) integrating ORM to the units' functions and updating processes based on occurred events; (iii) improving the risk reporting by the units, in view of completeness, quality and time, as well as reporting on the effectiveness of the action plans on the mitigation of operational risk; and (iv) integration of the ORM results during the strategic planning.

Special attention shall be paid on raising the awareness, continuously supporting and promoting the use of whistle-blowing for actions or practices doubted as corruptive, in compliance with the applicable legal framework.

Business Continuity Management (BCM) Programme shall be completed and tested on on-going basis, aimed at enhancing 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. The analysis of the impact on the activity will be enriched through the identification of critical operations by the interruption impact, interdependencies, continuity indicators, supportive infrastructure and necessary sources to ensure their continuation/recovery on time.

