

IPA 2008 National Programme for Albania

Strengthening the institutional capacity of the Albanian Central Bank particularly in the areas of banking supervision, statistics, payment systems and the implementation of monetary policy.

1. Basic Information

1.1 CRIS number: 2008/020-116

1.2 Title: Strengthening the institutional capacity of the Albanian Central Bank particularly in the areas of banking supervision, statistics, payment systems and the implementation of monetary policy.

1.3 Sector: 03.17

1.4 Location: Tirana, Albania

Implementing arrangements

1.5 Contracting authority (EC): EC Delegation to Albania

1.6 Implementing Agency: EC Delegation to Albania

1.7 Beneficiary: The Bank of Albania

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1.8 Overall cost: 1.240.000 euros

1.9 EU Contribution: 1 million euros

1.10 Final date for contracting: Three years following the date of conclusion of the Financing Agreement

1.11 Final date for execution of contracts: Two years following the end date for contracting. . These dates apply also to national co-financing.

1.12 Final date for disbursements: Disbursements will continue for up to one year after the end date for the execution of contracts

2. Overall objective and Project Purpose

2.1 Overall objective

To contribute to the fulfillment of the Copenhagen economic criterion by ensuring the effective implementation of monetary policy as well as by guaranteeing the existence of a safe, financially sound and well-developed banking system in Albania.

2.2. Project purpose

To prepare the central bank (the Bank of Albania – BoA) for a smooth rapprochement to the European System of Central Banks (ESCB) and help ensure an approximation of the Bank's legal and regulatory framework to the EU *acquis communautaire* as well as of its practices to the standards prevailing in the ESCB.

2.3. Link with AP/NPAA/EP/SAA

The project will help achieve the following priorities included in the proposal of the European Commission dated 06.11.2007 for a Council Decision on the principles, priorities and conditions contained in the European Partnership with Albania and repealing Decision 2006/54/EC:

Key priorities

- strengthen administrative capacity in preparation for implementing the Stabilization and Association Agreement (SAA) and Interim Agreement (IA) commitments.

Short-term priorities

- pursue a monetary policy conducive to the objective of achieving and maintaining price stability to reduce and anchor inflation expectations;
- strengthen the regulatory framework for banking and non-banking financial supervision and the capacity of the Financial Supervision Authority;
- take more effective measures to reduce use of cash in the economy;

Medium-term priorities

- make progress towards fulfilling Albania's SAA commitments on full liberalization of the movement of capital, including ensuring the same treatment to EU and Albanian nationals regarding portfolio investments and financial loans and credits with maturity of shorter than one year;
- improve agricultural statistics and *macro-economic statistics, develop social statistics, including education and health statistics, and make progress towards implementing all European classifications, including the classification of statistical regions;*

At the same time, this project is proposed based upon the 2. “Economic Criterion”, 3.3.5.1 “Right of establishment and free provision of services/ Banks” and 3.4 “Free movement of capital” parts of the National Plan for the Implementation of the SAA 2007-2012, where the Bank of Albania is the responsible institution for the materialization of the respective legal initiatives and implementing measures. According to the abovementioned parts of the National Plan for the Implementation of the SAA 2007-2012, BoA's short and medium term priorities are to:

- maintain macro-economic stability;
- design and implement a prudent monetary policy;
- strengthen the legal and supervisory framework of the banking sector;
- carefully monitor the financial sector;
- reduce the use of cash in the economy;
- ensure the full liberalisation of capital movements in accordance with the deadline established by the WTO (2010).

2.4 Link with MIPD

This project is proposed based on the 2.2.2.3 section of the Albania MIPD 2007 -2009 titled “Programmes to be implemented”, where the capacity building assistance to the Bank of Albania is foreseen, particularly to improve its statistics and supervisory tasks.

2.5 Link with National Development Plan:

Bank of Albania Development Plan (2006 -2008) priorities:

- Further strengthen macroeconomic stability, mainly through Bank of Albania’s contribution to keep low inflation rates;
- Strengthen the country’s financial stability, mainly by ensuring a financially sound banking system, capable of enhancing the level of financial intermediation;
- Complete some of the earliest Bank of Albania’s commitments to further improve the structure of the banking system, with a particular focus on the establishment of a Credit Registry as well as on the further improvement of the payment infrastructure;
- Prudential study of all factors, prerequisites, problems, specific elements, which the Bank of Albania should treat aiming at the adoption of inflation targeting in a second period, after the one treated in the said document;
- Further strengthen Bank of Albania’s institutional status, through more accountability and transparency, aiming at establishing an intensive dialogue between the central bank and the different target groups in the Albanian society.

2.6 Link with national/sectoral investment plans (where applicable)

N/A

3. Description of project

3.1. Background and justification:

The structure of the BoA comprises the following departments: Monetary Policy; Monetary Operations; Supervision; Financial Stability; Statistics; Payment Systems; Foreign Relations, European Integration and Communication; Human Resources; Legal; Research; Issue; Accounting and Finance, Information Technology; Audit; Security and Protection; Administration. In addition, it comprises five Bank branches. The total number of employees stands at 469.

The BoA currently needs to identify and implement ways of improving its organization and operations in the areas of supervision and financial stability, statistics, payments systems, inter-bank money market, coordination of the EU integration process and financial literacy with a view to increasing its efficiency and ensuring a quick and smooth rapprochement of these areas to the EU standards as well as to ensure the approximation of the supervisory and payment systems regulatory framework to the *acquis*. Given the variety of these areas and taking into consideration that the requested assistance would require the mobilization of considerable human, material and financial resources, it has been deemed that the most appropriate and efficient way to channel the said assistance would be through a Twinning project, preferably with at least two ESCB member central banks.

The planned Twinning project would be the first EU funded project to the BoA, covering those areas that currently do not receive technical assistance and expertise on a regular and continuous basis by other central banks or international financial institutions. Technical expertise is currently provided to the BoA on a continuous basis by the IMF in the area of monetary policy formulation

as well as modeling and forecasting through peripatetic visits of a non-resident monetary policy expert. At the same time, the BoA has been assisted in relation to the establishment of the Credit Registry and the further development of the treasury bill registry at the BoA through short-term IMF expert visits. Recently initiated technical cooperation with the IMF on the strengthening of internal audit at the BoA is expected to continue in the future through the conduct of short-term expert visits. In addition, further to the agreement “On the management and consultancy of foreign exchange reserve”, signed by the BoA and the World Bank in September 2005, the latter has continued to provide technical assistance to the BoA in the area of foreign exchange reserve management through the Reserves Advisory Management Programme (RAMP) in the framework of the Sovereign Investment Partnerships (SIPs).

At the same time, USAID has provided technical assistance to the BoA through the Financial Services Volunteer Corps (FSVC) mainly in the area of banking supervision. During 2006, seminars on the supervisory mechanisms for the evaluation and monitoring of economic and financial systems as well as on the development of the confidence indices have been organized with the technical and financial assistance of the German Association for Technical Cooperation (GTZ) in the framework of the Protocol on the Technical and Financial Cooperation between the Republic of Albania and the Federal Republic of Germany. The BoA staff also regularly attends numerous seminars and training courses organized by other (mainly ESCB) central banks as well as international financial institutions and other organs (IMF, World Bank, Centre for Excellence in Finance, etc.) which cover a variety of areas that fall under the responsibility of central banks.

The selection of the areas to benefit from the Twinning project has been based on the priorities defined in the European Partnership Document, the Multi-Annual Indicative Planning Document (2006-2008) and the National Plan for the Implementation of the SAA (2007-2012) and it has also avoided the potential overlap or duplication with the assistance provided by other donors.

Further information on the functioning of the Bank may be found in Annex 3

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)

In strengthening the supervision of the banking sector, as well as strengthening the system of cashless payments and cross-border flows and also in increasing the efficiency of data collection and processing in order to get a better view of the Albanian economy, this project will contribute to the consolidation and further growth of the Albanian banking and financial sector, which is of crucial importance and a prerequisite for the better performance of the real economy.

The materialisation of the project is also expected to substantially strengthen the administrative capacities of the BoA, thus helping the Bank to approximate to the ESCB standards, ensure the proper implementation of the Stabilisation and Association Agreement between Albania and the EU as well as be better prepared to cope with the challenges arising from the other stages of the process of EU integration when Albania eventually becomes a candidate country and starts the accession negotiations.

At the end of the project, the BoA will have improved the structure, organization and operations of the Supervision Department, Financial Stability Department, Statistics Department, Payment Systems Department, Monetary Operations Department and Foreign Relations, European Integration and Communication Department as Albania prepares to approximate to the standards of the EU.

At the same time, the implementation of this project will result in the improvement of the operations of the Legal Department, Monetary Policy Department and Information Technology Department as their staff will be involved in the activities envisaged to be carried out in the areas that will benefit from this project, as explained above.

To ensure the short-term sustainability of the project, the BoA will provide for the proper work organisation by nominating and employing the relevant personnel to cooperate with the project. These persons will be in charge of co-ordination of the actions within the Bank as well as for the co-operation with the Twinning partner central banks.

The long-term sustainability of the project will be guaranteed by the financial and administrative capacity of the BoA.

The training materials produced for this project will be preserved by the BoA to be used later on if necessary. At the same time, by the end of the project, sufficient BoA staff will have been trained to pass through their knowledge to the staff of commercial banks, particularly as regards Basel II implementation and the functioning of the inter-bank money market. The BoA will also provide the necessary financial means for the maintenance of the specialized software installed during the Twinning project.

3.3 Results and measurable indicators¹:

The assistance is foreseen to be implemented through two contracts, a Twinning and a supplies contract.

Contract 1: Twinning contract consisting of two components:

Component 1: Design of the strategic development plan including the training and qualification programme

- Strategic development plan devised and agreed on, including an action plan that envisages the concrete measures to be carried out as well as the related timetable.
- Implemented training and qualification programme for staff of the Supervision, Financial Stability, Statistics, Payment Systems, Monetary Operations and FREIC Departments designed as part of the strategic development plan.

Measurable Indicators:

- Strategic development plan approved by the BoA Supervisory Council.

Component 2: Implementation of the strategic development plan including the training and qualification programme

- Strategic development plan implemented. This should at a minimum include:
 - supervisory practices strengthened in compliance with the ESCB standards;

¹ For the indicators, please see Annex I – Logical Framework Matrix

- manual on corrective action revised;
- the Early Warning System developed and fully operational;
- balance of payments compilation methodology and technical infrastructure compliant with ESCB standards;
- a more effective collaboration with the National Statistics Office and the Ministry of Finance in the area of fiscal and real sector statistics established;
- strengthening of the oversight and reporting methodology of the payment systems strengthened;
- improved functioning of the inter-bank money market;
- a more effective coordination of the EU integration process within the institution ensured;
- a set of educational booklets and brochures prepared;
- communication strategy of the Bank of Albania designed and implemented;
- necessary organizational changes in the structure of the Bank and the departments carried out.

Measurable Indicators:

- Banking supervisory indicators
 - Revised corrective action manual
 - Early Warning System fully operational
 - Revised BoP compilation methodology
 - Revised technical infrastructure for BoP compilation in place
 - Frequency of contacts between the BoA and the National Statistics Office and the Ministry of Finance
 - Quality of fiscal and real sector data
 - Payment systems oversight indicators
 - Number and volume of transactions in the inter-bank money market;
 - Number and quality of booklets and brochures
 - Communication strategy prepared and adopted by the BoA Supervisory Council
 - Organizational changes approved by the BoA Supervisory Council
- Implemented Training and qualification programme for members of the Supervision, Financial Stability, Statistics, Payment Systems, Monetary Operations and FREIC Departments implemented as part of the strategic development plan. This should at a minimum include:
 - the staff of the Supervision Department trained and qualified on the assessment of market risks, new banking products, credit risk, Basel 2 and IFRS standards, valuation of collateral and consolidated supervision as well as enabled to train the staff of commercial banks on Basel II implementation;
 - the staff of the Financial Stability Department trained and qualified on the development of early warning systems and the conduct of stress-tests;
 - the staff of the Statistics Department trained and qualified on the collection, compilation and dissemination of the monetary and financial statistics, balance of payments statistics as well as external debt and international investment positions in compliance with the ESCB standards;
 - the staff of the Payment Systems Department trained and qualified on the operation and oversight of payment systems as well as on the process of gathering and compilation of payment instruments statistics, in compliance with ESCB standards;
 - the staff of the Monetary Operations Department trained on the ways how to improve the functioning of the inter-bank money market in Albania as well as enabled to train the staff of commercial banks on this issue;

- the staff of the FREIC Department trained and qualified on the coordination of activities related to the process of EU integration.

Measurable Indicators:

- Number of seminars, workshops, study visits and internships organized;
- Number of MS short-term expert visits organized;
 - Number of staff participating in the seminars, workshops, study visits and internships organized;
 - Number of qualifications issued;
 - Evaluation for training events by participating staff.

Contract 2 -Supplies : Procurement of software

- Specialised software for the compilation of monetary and financial statistics installed and fully operational;
- Specialised software on balance of payment data installed and fully operational;
- Trading platform (specialized software) for the inter-bank money market installed and fully operational.

Measurable Indicators:

- Level of operability of the software
- Number of users

3.4. Activities

Contract 1: Twinning contract for the design and implementation of the strategic development plan including the training and qualification programme

Component 1: Design of the strategic development plan including the training and qualification programme

- Drafting of the strategic development plan, including the action plan. This should at a minimum include:
 - identification of weaknesses in current supervisory practices and a complete review of the banking supervision regulatory framework in order to identify the incompatibilities with the EU directives in this area;
 - identification of the main areas that need to be improved with regard to the development of the necessary analytical capabilities and of a modern Early Warning System aiming at a proper analysis of the financial system performance as well as of the threats and risks to the efficiency and stability of this system;
 - general review of Albanian Balance of Payments compilation methodology and technical infrastructure to meet EU standards as well as review of the current collaboration procedures with the National Statistical Office and the Ministry of Finance;

- a complete review of the payments systems regulatory framework in order to identify the incompatibilities with the EU directives in this area;
 - identification of weaknesses in current settlement practices and payments systems as well as in the oversight of the payments system;
 - identification of the main areas that need to be improved to ensure the further development of the inter-bank money market in Albania, commercial bank involvement and their internal regulation with respect to trading in the inter-bank money market
 - identification of the main areas that need to be improved with regard to a more effective coordination of the activities related to the EU integration process;
 - identification of the main areas that need to be improved with regard to a more effective communication process promoting the general financial literacy;
 - proposals for the adjustment of the structure, the organization and the functioning of the specified departments of the BoA.
- The process of the drafting of the strategic development plan shall also include an analysis of the BoA staff skills and qualification and the preparation of both a management and skill-specific training and qualification programme consisting of specification of topics, number of trainees, timing and form of the training
- Presentation of proposed strategic plan to the members of the Supervisory Council of BoA and managers of the involved departments of BoA

Component 2: Implementation of the strategic development plan including the training and qualification programme

- Implementation of the strategic development plan, including the action plan. This should at a minimum include:
 - strengthening of supervisory practices in compliance with the ESCB standards;
 - revision of the manual on corrective action;
 - development of an Early Warning System;
 - improvement of the balance of payments compilation methodology and technical infrastructure in compliance with ESCB standards;
 - establishment of a more effective collaboration with the National Statistics Office and the Ministry of Finance in the area of fiscal and real sector statistics;
 - strengthening of the oversight and reporting methodology of the payment systems;
 - improvement of the functioning of the inter-bank money market;
 - establishment of a more effective coordination of the EU integration process within the institution;
 - preparation of a set of educational booklets and brochures;
 - drafting and implementation of the communication strategy of the Bank of Albania;
 - materialisation of the necessary organizational changes in the structure of the Bank and the departments.
- Implementation of the training and qualification programme for the staff of Supervision, Financial Stability, Statistics, Payment Systems, Monetary Operations and FREIC Departments, as part of the strategic development plan. This should at a minimum include:

- Training and qualification of the Supervision Department staff on the assessment of market risks, new banking products, credit risk, Basel 2 and IFRS standards, valuation of collateral and consolidated supervision as well as enabling of the Supervision Department staff to train the staff of commercial banks on Basel II implementation;
 - Training and qualification of the Financial Stability Department staff on the development of early warning systems and the conduct of stress-tests;
 - Training and qualification of the Statistics Department staff on the collection, compilation and dissemination of the monetary and financial statistics, balance of payments statistics as well as external debt and international investment positions in compliance with the ESCB standards;
 - Training and qualification of the Payment Systems Department staff on the operation and oversight of payment systems as well as on the process of gathering and compilation of payment instruments statistics, in compliance with ESCB standards;
 - Training and qualification of the Monetary Operations Department staff on the ways how to improve the functioning of the inter-bank money market in Albania as well as enabled to train the staff of commercial banks on this issue;
 - Training and qualification of the FREIC Department staff on the coordination of activities related to the process of EU integration.
- Pass-through of the skills received during the training program to the commercial bank staff regarding Basel II implementation and the inter-bank money market development

Contract 2: Supplies

- Identification of equipment needs and priority areas and in the formulation of the technical specifications for sub-sequent supply tender. The main areas for supply of equipment, mentioned in section 3.1 are: specialized software for the compilation of monetary and financial statistics, terms of reference and full analysis of the specialized software for the compilation of balance of payments statistics and specialized software (trading platform) needed to encourage activities in the inter-bank money market. It is foreseen that the Twinning Partner will prepare the technical specifications and the tender dossier related to the delivery of the said software;
- Assistance in the process of supply of equipment, including hardware and software.

The precise scope of the equipment to be procured will depend on the advice provided by the Twinning Partner to the BoA on the priority needs. The co-financing from the BoA budget for the purchase of equipment is assured.

3.5 Conditionality and sequencing:

Conditionalities:

The pre-conditions that need to be fulfilled before the initiation of the project implementation are as follows:

- the full commitment of the BoA senior management for the successful implementation of the project;
- the BoA (the beneficiary institution) provides the Twinning Partner with all the information, materials, interpretation and office facilities to operate effectively.

The key benchmarks during project implementation will include:

- Activities start in January 2010;
- Strategic development plan, including the training and qualification programme for the staff of the concerned department at the BoA, designed by April 2010;
- Strategic development plan, including the training and qualification programme for the staff of the concerned department at the BoA, is implemented from July 2010 to October 2011;
- The specialised software installed and fully operational by July 2011.

3.6 Linked activities

With regard to banking supervision: From 2001 until 2004, the Supervision Department has been committed to implement a development plan, which was designed in cooperation with the World Bank². The main objective of this development plan was the standardization of the supervisory process and its procedures, the shifting of the supervision into a continuous and proactive process and its orientation to risk identification, implementation of corrective actions and verification of their implementation.

The elements of this plan were extended in four main directions interacting between them, mentioning improvement of decision-making; transparency and communication; revision of the regulatory framework; and implementation of necessary instruments for monitoring and following up the implementation of recommendations.

The Supervision Department has received also assistance from several World Bank and IMF experts who have assisted BoA on several issues. Also, the IMF has supported BoA Supervision with a resident adviser.

With regard to statistics: Over the past several years the monetary and financial statistics units have received assistance from IMF missions in developing and implementing the General Data Dissemination System – GDDS, the balance of payments statistics manual, based on BP5, and monetary and financial statistics based on “Monetary and Financial Statistical Manual, IMF, 2000”. The Fund has also served as the main trainer of human resources of the statistics through training courses organized by them. Based on the experience acquired from the IMF missions of statistics and from the manuals in question, the unit of statistics of BoA has prepared and approved the relating statistical manuals in an Albanian version for BoP and monetary and financial statistics. The IMF assistance has been useful in providing a framework for evaluating the needs for improving data. Building on this experience, BoA now seeks to more fully develop a comprehensive strategy for its use of statistics, encompassing methods and practices for improved data collection and analysis, coordination with the other Albanian statistics gathering entities and integration with EU standards.

With regard to payment systems: The work for the implementation a modern payments system has begun since 2002, which has resulted in the successful introduction of two main payments systems. In January 2004, the BoA inaugurated the initiation of operations of the Albanian Inter-bank Payment System (AIPS), which executes gross settlement in real time of all large-value payments. This project was implemented under the assistance and consultancy of the World Bank. It was an important project and was regarded as an essential infrastructure connecting almost the whole banking system.

² The project was “Financial Sector Adjustment Credit (CR 3669).

On the other hand, July 2005 marked the live operation of the Albanian Electronic Clearing House system – AECH, which carries out the automation of the clearing service of small-value payments. The AECH system was also implemented under the assistance and consultancy of the World Bank.

The two systems have been realized in compliance with the best international standards and principles, based on modern technology and integrated perfectly into each other.

With regard to the development of the inter-bank money market: The staff of the Monetary Operations Department has conducted several meetings with commercial banks in order to stimulate the activity in the inter-bank money market. In this context, the BoA has also encouraged the reactivation of the Albanian Dealer Association so that this organizational body among other things manages to produce “a code of conduct”, which is believed to serve as a market development tool. In addition, a training programme has recently started with Banca d’Italia, with the experience of this central bank in developing the inter-bank money market being one of the main planned areas of cooperation.

With regard to the coordination of the EU Integration process: The staff of the Foreign Relations and European Integration Division has participated in some regular training courses and study visits organized by the ESCB central banks, which have enabled them to get acquainted with the organization and functioning of the European System of Central Banks, comprising its numerous committees and working groups as well as with the challenges arising by the legal, organizational and operational harmonization of the central banks of Central and Eastern Europe with the ESCB.

With regard to financial literacy: The staff of the Publications Division has been involved in a short- term cooperation project with the German Savings Banks Foundation for International Cooperation (Sparkassenstiftung für internationale Kooperation), focusing more on the design and publication of educational brochures on the issues related to the everyday financial life. At the same time, a few study visits have been conducted at some ESCB central banks, which have enabled an exchange of views and experiences regarding the communication process and economic and financial educational programmes.

3.7 Lessons learned

This is the first assistance foreseen for the BoA under any EU national programme. Most of the financial and technical assistance that the BoA has received so far on a regular basis has been provided by international financial institutions, namely the IMF and the World Bank. While this assistance has proved to be highly beneficial with regard to the qualification of the BoA staff as well as in relation to the improvement of the BoA structure and operations in the aforementioned areas, in line with the best international standards and practices, it should be emphasized that this assistance has not aimed at ensuring the approximation of the legal and regulatory framework and operations of the BoA with the ESCB standards.

Given that the legal, organisational and operational approximation with the ESCB remains a strategic objective of the BoA and taking also into consideration the current status of Albania as a potential candidate country for accession in the EU, the provision of technical assistance *on a regular basis* by the ESCB central banks is deemed to be essential as this assistance would enable the BoA to carry out properly all the obligations stemming from the Stabilization and Association Agreement and the European Partnership with Albania as well to successfully meet all the challenges that will arise from the further stages of the process of European integration, particularly when Albania becomes a candidate country and starts the accession negotiations.

In this context, it has been concluded that the channeling of this assistance through a Twinning project with ESCB central banks would be the most appropriate way, as it would enable a continuous provision of technical assistance to the BoA, whose effect on the improvement of the BoA structure and operations could be evaluated by measurable indicators.

*** 4. Indicative Budget (amounts in €)**

			TOTAL EXP.RE	SOURCES OF FUNDING							
				IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					CO
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EU (z)
Activity 1	X		1.000.000€	1.000.000 €	100%						
contract 1.1	X	–	1.000.000€	1.000.000 €	100%						
Activity 2		X	240.000€			240.000€	100%	240.000€			
contract 2.1	–	X	240.000€			240.000€	100%	240.000€			
.....											
TOTAL IB			1.000.000€	1.000.000€	100%						
TOTAL INV			240.000€			240.000€	100%	240.000€			
TOTAL PROJECT			1.240.000€	1.000.000€	81%	240.000€	19%	240.000€			

NOTE: DO NOT MIX IB AND INV IN THE SAME ACTIVITY ROW. USE SEPARATE ROW

Amounts net of VAT

- (1) In the Activity row use "X" to identify whether IB or INV
- (2) Expressed in % of the **Total** Expenditure (column (a))

The national co-financing will be provided by the annual budget of the Bank of Albania.

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Twinning contract (Contract 1)	3 rd quarter 2009	1 st quarter 2010	3 rd quarter of 2011
Supplies contract (Contract 2)	1 st quarter 2010	2 nd quarter 2010	2 nd quarter 2011

All projects should in principle be ready for tendering in the 1ST Quarter following the signature of the FA

6. Cross cutting issues (where applicable)

6.1 Equal Opportunity

Men and women will have an equal opportunity to participate in all phases of the project's implementation.

6.2 Environment: N/A

6.3 Minorities: N/A

ANNEXES

Annex 1: Log frame in Standard Format

LOGFRAME PLANNING MATRIX FOR Project Fiche	Programme name: Strengthening the institutional capacity of the central bank particularly in the areas of banking supervision, statistics, payment systems and the implementation of monetary policy Programme number: TBD		
	Contracting period expires: 3 years following the date of conclusion of the Financing Agreement	Disbursement period expires: One year after the end date for the execution of contracts	
	Total budget :1.240.000euro		IPA budget: 1 million euro
I. Overall objective	Objectively verifiable indicators	Sources of Verification	Assumptions
To contribute to the fulfillment of the Copenhagen economic criterion by ensuring the effective implementation of monetary policy as well as by guaranteeing the existence of a safe, financially sound and well-developed banking system in Albania.	<ul style="list-style-type: none"> ▪ The banking laws and regulations comply with requirements of the EU legislation; ▪ Macro-economic indicators and money and banking statistical indicators. 	<ul style="list-style-type: none"> ▪ Albanian laws and regulations, EU directives, BoA monthly, quarterly, semi-annual and annual reports. ▪ BoA statistics, BoA monthly, quarterly, semi-annual and annual reports, ▪ Progress report of the EU Commission ▪ IMF and WB reviews 	<ul style="list-style-type: none"> ▪ The Albanian political priority to enter the EU, as well as to eventually accede the EMU is irrevocable. ▪ The BoA senior management committed to continue with the further organizational, operational and legal approximation to the ESCB by building on the achievements of the Twinning project.
II. Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
To prepare the central bank (the Bank of Albania – BoA) for a smooth rapprochement to the European System of Central Banks (ESCB) and help ensure an approximation of the Bank's legal and regulatory framework to the EU acquis communautaire as well as of its practices to the standards prevailing in the	<ul style="list-style-type: none"> ▪ Structure and organisation of operations of the BoA. ▪ Revised regulations and legal acts 	<ul style="list-style-type: none"> ▪ The EC Progress Report ▪ Decisions of the BoA Supervisory Council ▪ Concordance tables ▪ IMF and WB reviews 	BoA senior management & staff are committed to the implementation of the project.

ESCB.

III. Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>Contract 1: Design and implementation of the strategic development plan including the training and qualification programme</p> <p><u>Component 1.</u></p> <ul style="list-style-type: none"> ▪ Strategic development plan devised and agreed upon, including an action plan that envisages concrete measures to be carried out as well as the related timetable. ▪ Training and qualification programme for the staff of the Supervision, Financial Stability, Statistics, Payment Systems, Monetary Operations and FREIC Departments designed as part of the strategic development plan. <p><u>Component 2.:</u></p> <ul style="list-style-type: none"> • Strategic development plan (SDP) implemented. This should at a minimum include: <ul style="list-style-type: none"> • supervisory practices strengthened in compliance with the ESCB standards; • manual on corrective action revised; • the Early Warning System developed and fully operational; • balance of payments compilation methodology and technical infrastructure compliant with ESCB standards; • a more effective collaboration with the National Statistics Office and the Ministry of Finance in the area of fiscal and real sector statistics established; • oversight and reporting methodology of the payment systems strengthened; • improved functioning of the inter-bank money market; • a more effective coordination of the EU 	<ul style="list-style-type: none"> ▪ Strategic development plan approved by the BoA Supervisory Council ▪ Banking supervisory indicators ▪ Revised corrective action manual ▪ Early Warning System fully operational ▪ Revised BoP compilation methodology ▪ Revised technical infrastructure for BoP compilation in place ▪ Frequency of contacts between the BoA and the National Statistics Office and the Ministry of Finance ▪ Quality of fiscal and real sector data ▪ Payment systems oversight indicators ▪ Number and volume of transactions in the inter-bank money market; ▪ Organizational changes approved by the BoA Supervisory Council ▪ Number and quality of booklets and brochures ▪ Communication strategy prepared and adopted by the BoA Supervisory Council ▪ Organizational changes approved by the BoA Supervisory Council ▪ Number of seminars, workshops, study 	<p>Decision of the BoA Supervisory Council on the adoption of the strategic development plan, including action plan</p> <p>Quarterly project reports</p> <p>Decision on the revision of the corrective action manual</p> <p>Quarterly project reports</p> <p>Quarterly project reports</p> <p>Quarterly project reports Number of official contacts between the BoA, National Statistics Office and the Ministry of Finance</p> <p>Quarterly project reports</p> <p>Quarterly project reports</p> <p>Decision of the BoA Supervisory Council</p> <p>Quarterly project reports Decision of the BoA Supervisory</p>	<p>The BoA senior management is fully committed to the implementation of the project and for the achievement of its purpose.</p>

<p>integration process within the institution ensured;</p> <ul style="list-style-type: none"> • a set of educational booklets and brochures prepared; • communication strategy of the Bank of Albania designed and implemented; • necessary organizational changes in the structure of the Bank and the departments carried out. <ul style="list-style-type: none"> • Training and qualification programme for members of the Supervision, Financial Stability, Statistics, Payment Systems, Monetary Operations and FREIC Departments implemented as part of SDP <p>Contract 2: Procurement of software</p> <ul style="list-style-type: none"> • Specialized software for the compilation of monetary and financial statistics installed and fully operational; • Specialized software on balance of payment data installed and fully operational; • Trading platform (specialized software) for the inter-bank money market installed and fully operational. 	<p>visits and internships organized</p> <ul style="list-style-type: none"> ▪ Number of staff participating in the seminars, workshops, study visits and internships organized ▪ Evaluation for training events by participating staff <ul style="list-style-type: none"> ▪ Specialized software fully operational ▪ Number of users ▪ Level of Operability of the system 	<p>Council Decision of the BoA Supervisory Council List of participants Training Evaluation reports Quarterly project reports Procurement documents Quarterly project reports</p>	
IV. Activities	Means	Costs	Assumptions
<i>Contract 1 (Twinning)</i>			
<i>Component 1</i>			

- Drafting of the strategic development plan, including the action plan. This should at a minimum include:
 - identification of weaknesses in current supervisory practices and a complete review of the banking supervision regulatory framework in order to identify the incompatibilities with the EU directives in this area;
 - identification of the main areas that need to be improved with regard to the development of the necessary analytical capabilities and of a modern Early Warning System aiming at a proper analysis of the financial system performance as well as of the threats and risks to the efficiency and stability of this system;
 - general review of Albanian Balance of Payments compilation methodology and technical infrastructure to meet EU standards as well as review of the current collaboration procedures with the National Statistical Office and the Ministry of Finance;
 - a complete review of the payments systems regulatory framework in order to identify the incompatibilities with the EU directives in this area;
 - identification of weaknesses in current settlement practices and payments systems as well as in the oversight of the payments system;
 - identification of the main areas that need to be improved to ensure the further development of the inter-bank money market in Albania, commercial bank involvement and their internal regulation with respect to trading in the inter-bank money market
 - identification of the main areas that need to be improved with regard to a more effective coordination of the activities related to the EU integration process;
 - identification of the main areas that need to be improved with regard to a more effective communication process promoting the general financial literacy;
 - proposals for the adjustment of the structure, the organization and the functioning of the specified departments of the BoA.
- The process of the drafting of the strategic development plan shall also include an analysis of

- Deployment of the Resident Twinning Advisor staying at the BoA for 18 months
- The start-up report
- Short-term visits of experts from the Twinning partner to the BoA
- Meetings held with the BoA staff
- Organization of workshops where necessary
- Supply of documentation

**Total cost of Twinning project
1 million euro**

The BoA senior management is fully committed to the implementation of the project and for the achievement of its purpose.

The BoA provides the twinning-partner(s) with adequate qualified staff and office facilities to operate effectively

Key BoA staff participates in the training and qualification programme

MS experts who participate in the training and qualification programme are well-qualified and competent

the BoA staff skills and qualification and the preparation of both a management and skill-specific training and qualification programme consisting of specification of topics, number of trainees, timing and form of the training

- Presentation of proposed strategic plan to the members of the Supervisory Council of BoA and managers of the involved departments of BoA

Component 2

- Implementation of the strategic development plan, including the action plan. This should at a minimum include:
 - strengthening of supervisory practices in compliance with the ESCB standards;
 - revision of the manual on corrective action; development of an Early Warning System;
 - improvement of the balance of payments compilation methodology and technical infrastructure in compliance with ESCB standards;
 - establishment of a more effective collaboration with the National Statistics Office and the Ministry of Finance in the area of fiscal and real sector statistics;
 - strengthening of the oversight and reporting methodology of the payment systems;
 - improvement of the functioning of the inter-bank money market;
 - establishment of a more effective coordination of the EU integration process within the institution;
 - preparation of a set of educational booklets and brochures;
 - drafting and implementation of the communication strategy of the Bank of Albania;
 - materialization of the necessary organizational changes in the structure of the Bank and the departments.
 - Implementation of the training and qualification programme for the staff of Supervision, Financial Stability, Statistics, Payment Systems, Monetary Operations and FREIC Departments, as part of the strategic development plan. This should at a minimum include:

- Training and qualification of the Supervision Department staff on the assessment of market risks, new banking products, credit risk, Basel 2 and IFRS standards, valuation of collateral and consolidated supervision as well as enabling of the Supervision Department staff to train the staff of commercial banks on Basel II implementation;

<ul style="list-style-type: none"> - Training and qualification of the Financial Stability Department staff on the development of early warning systems and the conduct of stress-tests; - Training and qualification of the Statistics Department staff on the collection, compilation and dissemination of the monetary and financial statistics, balance of payments statistics as well as external debt and international investment positions in compliance with the ESCB standards; - Training and qualification of the Payment Systems Department staff on the operation and oversight of payment systems as well as on the process of gathering and compilation of payment instruments statistics, in compliance with ESCB standards; - Training and qualification of the Monetary Operations Department staff on the ways how to improve the functioning of the inter-bank money market in Albania as well as enabled to train the staff of commercial banks on this issue; - Training and qualification of the FREIC Department staff on the coordination of activities related to the process of EU integration. <ul style="list-style-type: none"> • Pass-through of the skills received during the training program to the commercial bank staff regarding Basel II implementation and the inter-bank money market development <p>Contract 2</p> <ul style="list-style-type: none"> • Identification of equipment needs and priority areas and formulation of the technical specifications for sub-sequent supply tender • Organization of tender procedure for selection of equipment suppliers • Assistance in the process of supply of equipment, including hardware and software. 	<ul style="list-style-type: none"> ▪ Twinning Covenant ▪ Establishment of the Project Steering Committee ▪ Short-term visits of experts from the Twinning partner to the BoA ▪ Organization of seminars and workshops ▪ Study visits of the BoA experts to the relevant departments of the Twinning partner, where appropriate ▪ Long-term internships of the BoA experts at the relevant departments of the Twinning partner ▪ Training in strategic, management, operational and general skills ▪ Supply of documentation relevant of the project ▪ Quarterly reports ▪ Final report <ul style="list-style-type: none"> ▪ Report on the equipment needs ▪ Service provision ▪ Equipment delivery 	<p style="text-align: center;">Total cost of supplies 240,000 euro</p>	
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Annex 2: Amounts contracted and Disbursed per Quarter over the full duration of the Programme

	2010				2011				TOTAL
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Contracted									
Contract 1 (Twinning)	1,000,000								
Cumulated	1,000,000								
Disbursed									
Contract 1	EUR 140.000	EUR 60.000	EUR 90.000	EUR 130.000	EUR 150.000	EUR 130.000	EUR 90.000	EUR 60.000	EUR 850.000
Contract 1 - Nat. co-financing			EUR 25.000	EUR 25.000	EUR 25.000	EUR 25.000	EUR 25.000	EUR 25.000	EUR 150.000
Cumulated	140,000	200,000	315,000	470,000	645,000	800,000	915,000	1,000,000	1,000,000

Annex 3: Description of Institutional Framework

The Bank of Albania is the central bank of the Republic of Albania. This status is ratified by the Article 161 of the Constitution and by the Law No. 8269, dated 27.12.1997 "On the Bank of Albania", that establishes its objectives and tasks, the relations with the banking system and the state, the organization and management of the Bank, the ownership of capital, the financial statements and profit delivery.

The BoA is an entirely independent institution accountable to the Assembly of the Republic of Albania with the principal objective of achieving and maintaining price stability. The BoA is also charged with promoting and supporting the development of a market based foreign exchange system, the internal financial market and the payments systems as well as to foster monetary and credit conditions conducive to the orderly, balanced, and sustainable economic development of Albania. In this context, the BoA formulates, adopts and executes monetary policy as well as the exchange rate arrangements and policy; licenses and supervises subjects engaging in banking business; manages the official international reserves; acts as adviser and fiscal agent to the government; and it also promotes the smooth operations of the payment systems. The BoA is a fully state-owned bank. Being the monetary and supervisory authority of the country, it enjoys all the reliable functions of a typical central bank. The management of the BoA is carried out by a Supervisory Council, the Governor and the two Deputy Governors.

The Supervisory Council, which is headed by the Governor, manages the BoA. Within the competencies being established by the law, it is independent of any other power in achieving the main objective of its activity and in exercising the assigned tasks.

With regard to the supervision of financial system in the Republic of Albania, the BoA performs the supervision of the banking sector and it also supervises non-bank financial institutions, Credit Unions and foreign exchange bureaus. The supervision of the insurance sector, securities market, investment firms and other financial institutions is carried out by the newly-established Financial Supervisory Authority. The General Directorate on Money Laundering (The Financial Intelligence Unit) is responsible for combating money laundering.

Banking Supervision and Financial Stability

The BoA, the sole supervisory authority for banks operating in Albania, is independent and effective. The BoA has clearly defined supervisory objectives and responsibilities and operates within a comprehensive framework of laws and regulations. A high level of adoption and implementation of the Basle Committee on Banking Supervision's Core Principles for Effective Banking Supervision has been reached. The banking law has been updated and the changes made aimed at enhancing the capacity of the BoA to carry out its supervisory function.

Activities permitted to be carried out by banks are clearly defined and licensing criteria are comprehensive and administered effectively. Limits exist on investment in non-banking business, but supervisory powers should be enhanced to ensure that investments do not exceed the bank management's abilities.

Supervisory examinations and off-site analysis procedures are well developed. The staff is relatively young, but very motivated. The competition in the Albanian banking sector has increased rapidly since the privatization and sale of the largest bank in Albania, the Savings Bank, to the Raiffeisen Bank, as well as since the entry of the San Paolo Intesa and Societe Generale banks into the said sector. Banks are introducing new products to their customers and their inspection is becoming more complex. As a consequence, *the level of qualification and competence of the Supervision Department's staff needs to be improved to cope with these changes.* The staff of the Supervision Department should be *trained and qualified with respect to the assessment of market risks, new banking products, credit risk, Basel 2 and IFRS standards. Proposals for the improvement of the supervisory practice need to be drafted.* The BoA supervisors effectively implement the corrective measures available to them. Based on the amendments made to the banking law, the BoA has adequate powers of enforcement. After the completion of the said amendments, *the revised manual on corrective action should be finalized.*

External audit is almost entirely done by local offices of major international firms using international standards. Accounting standards are changing as banks move to International Financial Reporting Standards (IFRS) which *may require some adoption of existing supervisory rules on valuation assets. More guidance on the valuation of collateral would also be useful.*

Albanian banks have limited foreign or domestic subsidiaries, so the absence of consolidated supervisory powers has not been a problem so far. Many of Albania's banks are, however, branches or subsidiaries of foreign banks and the BoA will need to continue to seek improved relationships with home supervisory authorities and assess their capacity to practice effective consolidated supervision. *Consolidated supervision is much undeveloped and much work should be done in that direction through the adoption of new regulations and the training of the supervisory staff.* The BoA should improve links with supervisory authorities in other countries and international supervisory bodies and organizations for supervisory purposes as well as for the purpose of *combating financial crime.*

The BoA also needs to improve its institutional capabilities in order to strengthen the financial stability in the country, mainly by ensuring a financially sound banking system, capable of enhancing the level of financial intermediation. The activity of the BoA will concentrate not only in improving the legal and regulatory framework of the banking system, but also in improving and increasing the efficiency of the financial system. *In this context, the development and strengthening of the capabilities of the newly-established Financial Stability Department will be one of the priorities of the Bank of Albania in the near future.*

The Financial Stability Department, comprising the Financial Markets, Infrastructure and Crisis Management Division and the Macroprudential Risk Assessment Division, is responsible for the assessment of the financial stability, by analyzing different indicators and data related to the systemic risks the Albanian financial system faces due to the effect of international and internal economic developments. *In this regard, the Financial Stability Department*

should identify the proper indicators and develop an Early Warning System to detect at an early stage any trends, vulnerabilities or threats that could lead to a serious crisis in the Albanian financial system. At the same time, this department should improve its analytical capabilities in order to be able to suggest the respective measures that should be taken by the BoA in the future aiming at preventing or dealing with the shortcomings or threats to the stability or efficiency of the financial system.

Statistics

Statistical functions are performed by the Statistics Department which includes two divisions: Financial and other Economic Statistics Division and Balance of Payments Division.

The Statistics Department is responsible for the following areas:

- *monetary and financial statistics*: the standards are fully based on the “Manual of Monetary and Financial Statistics, IMF, 2000”. In order to fully cover the SDDS and ECB standards of monetary and financial data compilation and dissemination, a complete review of the existing regulatory basis should be undertaken in order to identify the non-conformities with EU standards. *The staff working on the monetary and financial data dissemination (collection, compilation and dissemination to the public) should be trained and qualified in connection with the compilation of flows statistics and fulfillment of EU standards as regards the entire process of data dissemination. The increase in the institutional coverage as well as in the number of the reports from banks and other financial institutions will need technological solutions, based on the specialized database solution for electronic reporting and compilation of the monetary and financial data.*

- *balance of payments statistics*: the BoA is the responsible agency for the compilation of the balance of payments statistics. The Albanian Balance of Payments statistics are compiled in line with basic principles of BPM5. The present system for compiling the BoP statistics (as defined in the “Law on the Bank of Albania”) is based on a set of forms and surveys designed to cover most economic entities participating in international activities. A simpler system based on direct reporting by the banks could not be introduced, as the banking system is hardly operational and offers only limited services; (most foreign exchange transactions are channeled through the parallel market which is flexible and operates without any available reporting requirements). *It is necessary to establish a modern statistical infrastructure for collecting information on the foreign sector.* At the same time, it is only recently that external debt and international investment position statistics have begun to be compiled. *In this context, getting knowledge, experience and staff training in this issue is considered important.* Most of the data within the unit of BOP are processed manually. *The increase in the institutional coverage will need technological solutions, based on the specialized software solution for BOP data. Getting assistance in this topic is also very important for the unit.* Finally, *there is need for a general review of the Albanian BOP compilation methodology and technical infrastructure to meet EU standards.*

- *other statistics of the economy*: One specialist is gathering the data of the fiscal sector (from the Ministry of Finance) and the real sector (from the National Statistical Office – INSTAT) and publishing them on the BoA website. *For a more comprehensive presentation of the Albanian economy, a general review of the collaboration with the National Statistical Office and the Ministry of Finance needs to be carried out.*

Payment Systems

According to the law No. 8269, dated 27.12.1997 “On the Bank of Albania”, Bank of Albania should stimulate the smooth operation of the payment systems. The BoA plays not only the role of supervising commercial banks as main payment instruments issuers, but it is also the operator of the Albanian Inter-bank Payment System and the Automated Electronic Clearing House. The Payment Systems Department, consisting of the Payment Systems Division and Payment Systems Policy and Oversight Division, is responsible for the proper functioning of the payment systems in Albania as well as for the payment systems oversight.

The Albanian payment system is currently in the process of development, aimed at achieving compliance with the principles on the functioning of systematically important payment systems as defined by the BIS - Basle Committee on Payment and Settlement Systems, as well as with the principles adopted by the European Central Bank. *A complete review of the payment systems regulatory framework is a necessity, in order to identify the weaknesses in actual practices and develop a strategy for harmonization and improvement of this framework required by the EU acquis in this field.*

Assistance will be necessary for the operation and further improvement of the payment systems and practices aimed at alignment with the ESCB central bank practices in the payment systems area. The BoA faces the need to adopt the necessary legislation and to introduce new payment instruments (e.g. e-money, e-commerce, e-signature), as well as reach compliance with the Single Euro Payments Area (SEPA) objectives regarding the implementation of direct debit scheme. At the same time, the payment systems oversight remains a relatively underdeveloped area. In this context, *the enhancement of the capacities related to the oversight of the payment systems remains a highly relevant necessity.* Further, *the staff working on the payment instruments statistical data (gathering, compilation and publication of the red book) should be trained and qualified on the process of gathering and compilation of payment instruments statistics and fulfillment of EU standards in this regard.*

Inter-bank Money Market

The inter-bank money market in Albania has a relatively short history dating with the introduction of the indirect monetary policy instruments by the BoA in 2001. Even though there has been a growing development in the inter-bank money market, being reflected in the increased transactions volume and increased number of the instruments employed, this market lags far behind the well-developed markets. There has been a growth in the transactions volume stemming from the increase in the number of participating banks, the enhancement of the

intermediary role of banks in this market and the further growth of the primary Treasury bill market. The latter one remains the major stimulus for the demand for liquidity in the inter-bank market. The daily average trading volume counts for 20 percent of short-term banking system liquidity and transactions are recorded for o/n and 7-day maturity. Interest rates fluctuate inside the corridor of 350 bases points of BoA.

Nevertheless, the further development of the inter-bank money market is pegged to the trading limits. The credit risk policies related to the trading partner imposed by headquarters abroad tend to impose very firm trading limits which lead to a mismatch between the funds available and the demand for funds, which sometimes make the BoA both a withdrawer and a provider of liquidity. The intermediary role of banks with more relaxed limits is not very active. *The experience of other central banks in dealing with such market impediments in terms of the regulatory framework and any other aspect will be valuable to be adopted including the necessary actions needed to be taken by the central bank as well as trainings involving commercial banks.*

With the continuous persistence of the BoA, since January 2007, commercial banks are obliged to quote bid/ask rates for inter-bank transactions so that a fix interest rate is produced for inter-bank money market. The aim was to urge the banks become more active in trading liquidity and to lower the spread of interest rates. The spread between TRIBOR and TRIBID (overnight and weekly) is actually very wide, the average till now being about 160 basis points. *The introduction of a trade platform (software) for the inter-bank money market would result in a more active trading system.*

Overall, the further development of the inter-bank money market will directly improve the functioning of the transmission mechanism in Albania, thus resulting in the conduct of a more effective monetary policy.

Coordination of the EU Integration process

The coordination of the activities related to the EU integration process is carried out by the Foreign Relations and European Integration Division, which is part of the Foreign Relations, European Integration and Communication (FREIC) Department. The FREIC Department is a relatively new unit of the BoA, having been established in October 2005 after the restructuring of the former Public Relations Department. It consists of the following units: 1. Foreign Relations and European Integration Division; 2. Publications Division; 3. Press Office; 4. Secretariat.

In the context of the coordination of the activities related to the EU integration process, the FREIC Department maintains close relations with the Ministry of Integration, which is the institution responsible for the coordination and monitoring of the European integration process at the national level. The FREIC Department also cooperates closely with the other departments at the BoA to ensure the proper implementation of the obligations arising by the EU integration process.

Taking into consideration the fact that the Foreign Relations, European Integration and Communication Department is a relatively new department at the BoA, *the level of qualification and competence of its staff needs to be further improved to cope not only with the changes stemming from the implementation of the Stabilization and Association Agreement and the approximation to the European System of Central Banks, but also with the challenges that will arise when Albania becomes a candidate country and eventually starts the accession negotiations with the EU. At the same time, the effectiveness of the coordination activities within the BoA needs to be enhanced.*

Financial Literacy

As the Albanian economy came out from a centrally planned system, the level of knowledge of the Albanian general public on economic and financial issues and particularly on money and inflation-related issues is very low, although during the last decade, Albania has been experiencing its transition towards a fully-fledged market economy.

The proper financial literacy of the general public is regarded by the BoA as an important element in ensuring a proper environment for the development of its activity and in establishing the basis for the development of an interactive communication as well as an irreplaceable instrument for building up its reputation and credibility and as an efficient way of increasing the transparency and accountability it intends to transmit to the public. Establishing and further enhancing the continuous dialogue with the main actors of the market as well as with the general public directly increases the effectiveness of the monetary policy transmission in the economy. *To this end, the main mission of the BoA in this regard is to increase the awareness of the general public on economic and financial issues in general and on monetary policy issues in particular.*

The process of communication in the BoA is carried out mainly by the Foreign Relations, European Integration and Communication Department, which implements it in practice through the Publications Division and the Press Office. The Publications Division, in compliance with the Bank of Albania legal obligations, publishes a number of materials, such as reports, bulletins and press statements. On the other hand, in the context of enhancing transparency and increasing public awareness, it prepares, publishes and distributes educational publications, which aim at informing and raising the awareness of the various sections of society regarding not only the role and activity of the central bank, but also the financial and economic issues concerning everyday life. In addition, the Press Office is responsible for informing and making the media aware of issues related to the central bank and the banking system, by keeping regular contacts with journalists and organizing frequent meetings with them. At the same time, it is also responsible for administering the BoA web page, which is considered as a very important interactive communication tool.

Apart from its official communication through publications, press statements, Governor's speeches statistical information etc. the BoA has recently taken different initiatives towards its target groups by designing and implementing open lectures, training programmes for the journalists as well as economic and financial education programmes for teachers and students. Nevertheless, the BoA should design and implement an overall strategy to promote financial literacy and

increase the understanding of the market economy principles by the various target groups.

Annex 4: Reference to laws, regulations and strategic documents:

Reference list of relevant laws and regulations

Law No. 8269, dated 23.12.1997 "On the Bank of Albania".

Reference to MIPD

Commission Decision C(2007)2245 of 31.05.2007 on a Multi-annual Indicative Planning Document (MIPD) 2007 -2009 for Albania

Reference to National Development Plan

Bank of Albania development plan over 2006-2008, adopted by the Decision of the Supervisory Council No. 57, dated 26.07.2006.

Reference to national / sectoral investment plans

N/A

Annex 5: Details per EU funded contract where applicable:

As mentioned above, this fiche foresees support in two forms; a twinning contract, and the provision of IT hardware/software.

Investment:

As mentioned above, the IT technical specifications will be drafted by a short term expert of the Twinning contract.

Institution Building:

Resident Twinning Adviser (RTA) and short term expertise over a 18 month duration.

Profile of the RTA:

- Very good knowledge of the responsibilities and areas of activity of the ESCB and of the European Central Bank;
- Good knowledge of the EU acquis in the areas that traditionally fall under the responsibility of the central bank;
- Minimum 10 years of experience in central banking activities;
- Very good management and co-ordination skills;
- Excellent oral and written English communication skills;
- Good presentation and communication skills;
- Good computer proficiency;
- EU nationality;
- Previous experience in similar technical assistance projects in third countries will be considered an asset.

The RTA will co-operate primarily with the staff of the BoA and with the implementing institutions.

The RTA will be located within the BoA and over a 24-month period will be responsible for providing support in the following key areas of activities:

- Preparation of the Twinning Covenant;
- Co-ordination of the project activities provided for preparation and subsequent implementation of the Strategic Development Plan of the BoA, comprising the areas mentioned above;
- Co-ordination of the project activities with regard to the design and subsequent implementation of the training and qualification programme for the staff of the concerned department at the BoA, as part of the Strategic Development Plan;
- Prepare specification of necessary software needed to be procured;
- Support for the BoA in the design, co-ordination and quality control of the training programme for the staff of commercial banks in the areas of Basel II implementation and the functioning of the inter-bank money market.

RTA assistant, 18 working months

Profile:

- Strong
- organizational skills;
- Computer skills;
- Experience in
- Phare/Twinning project (management) would be an advantage;
- Good knowledge
- of English;
- Good knowledge
- of Albanian;
- Good computer
- proficiency

Tasks:

- Assisting of RTA
- Arranging of
- training events
- Organisation of
- translation

Member States Project Leader, 18 working months

Profile:

- At least 10 year experience in central banking activities
- Excellent English

Tasks:

- Assists the RTA with the project management;
- Monitoring and guidance of the whole project;
- Provision of legal and technical advice and analysis;
- Overviews the development of all key project outputs and the corresponding procedural/operational manuals, plus the provision of related skills development activities.

The Twinning Partner's short-term experts should have consulting experience, be well aware of the current trends in the central banking activities and be familiar with the changes in the EU Member States' central banks. Specific requirements are:

- a) Sound knowledge of EU standards on the issues dealt with;
- b) University degree in economics or an equivalent or related degree Broad working experience of at least 5 years in a central bank or other supervisory and/ or statistical body
- c) Good presentation and communication skills;
- d) Excellent oral and written English communication skills.
- e) Computer literacy
- f) EU nationality
- g) Experience in similar technical and legal assistance assignments in third countries will be considered an asset.

The BoA Project Leader is:

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The Project Manager is:

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The project will be implemented under the supervision of the Project Steering Committee (PSC).

The Project Steering Committee – PSC will meet in compliance with the twinning manual 7 times, at the beginning (kick-off meeting), after every three months and at the end of the project (final meeting).

The PSC shall consist at least of the following members:

- The Project Leader BoA;
- The Project Leader of MS;
- The RTA;
- The Project Manager BoA;
- The Deputy Director of the Supervision Department;
- The Director of the Financial Stability Department;
- The Director of the Statistics Department;
- The Director of the Payment Systems Department;
- The Director of the Monetary Operations Department;
- The Head of the Foreign Relations and European Integration Division;
- The Head of the Publications Division;
- A representative of the European Commission’s Delegation to Albania.

The PSC will be founded during first project month (kick-off meeting).

During the execution of the assignment: seven quarterly reports and a final report have to be submitted.

- A start-up report (first quarterly report) with an adjusted time schedule for activities will be prepared by the MS with the beneficiary within three months after the beginning of the assignment at the latest;
- The start-up report will be forwarded to EC delegation for notice;
- Interim quarterly reports;
- The final report shall be an overall view of the implementation of the assignment and whether original target objectives, outputs and inputs have been realized. The MS Project Leader in close cooperation with Albanian Project Manager and

Project Leader elaborate the project's final report (four copies). The final report includes an overview on project results achieved and activities carried out and makes follow up recommendations. Within one month after the end of the project the final report is submitted to the EC Delegation for approval.

- All reports should be written in English, signed by both the MS Project Leader and the Project Leader from Beneficiary side, and should follow IPA standards for reports.

All reports should be joint reports by MS and Albania.

All activities of the project, as well as formal reporting, will be carried out in English. It will be ensured that translation and interpretation services, if necessary, are provided and their cost be covered by the project's budget. This includes translation and interpretation from Albanian into the MS language and vice versa.