



## **ANNEX C1: Twinning Fiche**

**Project title:** Enhancing Bank of Albania's alignment with EU Acquis

**Beneficiary administration:** Bank of Albania

**Twining Reference:** AL 15 IPA FI 01 19

**Publication notice reference:** The publication notice reference will be completed by the European Commission

**EU funded project**  
***TWINNING TOOL***

## **1. Basic Information**

1.1 Programme: IPA 2015 Action Programme for Albania (Indirect Management with ex-post control)

For British applicants: Please be aware that eligibility criteria must be complied with for the entire duration of the grant. If the United Kingdom withdraws from the EU during the grant period without concluding an agreement with the EU ensuring in particular that British applicants continue to be eligible, you will cease to receive EU funding (while continuing, where possible, to participate) or be required to leave the project on the basis of Article 12.2 of the General Conditions to the grant agreement.

1.2 Twinning Sector: Finance, Internal Market and Economic Criteria

1.3 EU funded budget: 800 000 EUR

## **2. Objectives**

### **2.1 Overall Objective:**

To provide support to the Bank of Albania (BoA) to strengthen macroeconomic, financial stability, auditing, supervision and payment system in its preparation for membership in the ESCB and eventually the Eurosystem.

### **2.2 Specific objective:**

To support the consolidation of the BoA capacities by further aligning its legislation with EU acquis such as:

- Strengthening banking supervision;
- Fostering macroeconomic and financial stability;
- Ensuring a more efficient and secure payment system and services;
- Aligning methodology and dissemination of Statistics; and
- Improving institutional capacities in terms of Internal Audit and European Integration Process.

### **2.3 Contribution to National Development Plan/Cooperation agreement/Association Agreement/Action Plan**

This Project will directly contribute to the objectives mentioned in the following strategic and/or programming documents:

1. **Indicative Country Strategy Paper** (adopted on the 18.08.2014) sets out the priorities for EU financial assistance for the period 2014-2020 to support Albania on its path to EU accession. The IPA II Regulation states that financial assistance shall mainly address five policy areas from which point (a) focuses on reforms in preparation for Union

membership and related institution-and capacity-building.

2. **National Strategy for Development and Integration 2015-2020**, amongst other priorities has put special emphasis on the need to provide a sound financial and banking activity, which: will guarantee the safety of savings of Albanian citizens; will promote financial stability; will contribute to the positive functioning of the economy in general.

From this prospective broadening and deepening further the financial intermediation in the country remain one of the key challenges. Other important priorities are set: to improve the quality of the loan portfolio in the banking system; to further strengthening risk management capacities; to increase the harmonization between supervisory authority and fiscal policies; to address effectively non-performing loans; to improve the instruments for assessing systemic risk; to increase the financial inclusion.

3. The European Commission's 2016 2018 Progress Report on Albania noted that Albania is moderately prepared in the area of economic and monetary policy and recommended measures to further align the legislation with the *acquis* as regards the BoA's independence and accountability. The central bank law establishes the primary objective of price stability, in line with the primary objective of the European System of Central Banks and during the period 2014-2015 the security, transparency and internal auditing of the Bank were strengthened. However, the Report points out that further action is needed to improve the functioning and governance of Bank of Albania and The ongoing review of the Law on the Bank of Albania with the direct help of IMF and Bd'Italia aims at the further approximation with the *acquis* in particular regarding the independence of the members of the Supervisory Board as well as the Bank's accountability. should be aligned with EU rules, which require: stronger independence of central banks, the prohibition of them by directly financing the public sector and further enhancement of accountability and transparency.

Regarding the banking supervision, the EU Commission outlined that the banking system remained solid and liquid. However, further measures are needed in order to address the issue of non-performing loans, involving all key stakeholders including The Bank of Albania is successfully implementing the action plan for reducing non-performing loans in the banking sector. As necessary, with a view to achieving a sustainable reduction of their level. In this context, the Government could strengthen its efforts in addressing impediments related to judicial enforcement and collateral execution would appear helpful.

4. **National Plan for the European Integration (NPEI) 2018-2020<sup>1</sup>** underlines the need to improve the functioning of the Central Bank in order to better fulfill its legal mandate to maintain consumer price stability and to promote a sound and a safe banking system, in line with best practices of ESCB. The NPEI 2018-2020 states that the work of the BoA during the medium – long term will be focused in achieving the following objectives:

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<sup>1</sup> Decision of the Council of Ministers No.404, dated 13.05.2015 “*On the Approval of the National Plan for European Integration 2015-2020*”.

- Further harmonization of legislation with the *acquis* –
- Promoting a safe and sound banking system –
- Improving the protection of the euro against counterfeiting –
- Promoting a sound and safe payment system.

5. **Medium-term Development Strategy of Bank of Albania 2018 - 2020** presents the main objectives of BoA, which are largely in line with the recommendations concluded in the final report of the “Need Analysis for BoA” in 2014. This projects aims at addressing some of these recommendations, thus, supporting the implementation of the BoA strategy 2019 -2021.

Objectives like partial implementation of Pillar 2 of Basel II, adoption of a risk-based banking supervision and enhancement of the cooperation and sharing information ECB, ESCB and other European institutions, have been broadly met. Another important direction, related with alignment of EU legislation has been on track. More specifically:

- The Supervisory Council of the Bank of Albania by Decision No. 72, dated 06.12.2017 approved the new regulation “On the recovery plans of banks”, which repealed the existing guideline “On the recovery plans” and has entered into force on 5 January 2018. This regulation is in alignment with EU regulation 2016/1075 supplementing Directive 2014/59/EU and with the EBA GL 2015-02<sup>2</sup> and the EBA GL 2014-06<sup>3</sup>. This regulation comes in line and fulfils the requirements of Law No 133/2016, dated 22.12.2016 "On the Recovery and resolution of Banks in the Republic of Albania";
- The Supervisory Council of the Bank of Albania by Decision No. 73 and Decision No. 74, dated 06.12.2017 approved some amendments respectively to the Regulation No. 63, dated 14.11.2012 “On the core management principles of banks and branches of foreign banks and the criteria for the approval of their administrators” and the Regulation No, 67, dated 02.09.2015 “On the internal audit system”. The amendments aimed further approximation with the recent requirements of the EU *acquis*, such as with European Directive 2013/36/EC<sup>4</sup>, EBA Guidelines “On Internal Governance” (2017) and “On the assessment of the suitability of members of the management body and key function holders” (2017), as well as with the Basel Committee Documents such as "Guidelines on corporate governance principles for banks" (2015) and "The internal audit function in banks" (June 2012).
- The Supervisory Council of the Bank of Albania by the Decision No 27, dated 04.04.2018, approved some amendments to the Regulation No 48, dated 01.07.2015 “On consumer credit and mortgage credit”, which entered into force on 1 June 2018. These amendments of the regulation aimed at a higher alignment with the requirements of European Union Directive 2014/17/EU “On credit agreements for consumers relating to residential immovable property”.

<sup>2</sup> EBA GL 2015-02 “On the minimum list of qualitative and quantitative recovery plan indicators”.

<sup>3</sup> EBA GL 2014-06 “On the range of scenarios to be used in recovery plans”.

<sup>4</sup> On access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms

## **Progress of the BoA and the results of cooperation with other European institutions and the IMF and World Bank Group**

From a historical point of view cooperation with European institutions, coincides with **The Twinning Project “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”**, implemented by the Banca d’Italia in partnership with Banque de France, during the period January 2011 – April 2013. The programme focused on the strengthening of 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, etc..

The implementation of the project was largely a success. All the mandatory results of the project were achieved. During the 20 months of the duration of the project were implemented 108 activities according to 6 components of the project. In the field of banking supervision and financial stability various new regulations have been drafted or approved, in the statistics field preparation of a two year action plan for balance of payments statistics were realized; modernization of the payment systems and the upgrading of oversight activities, and an in depth analysis of monetary policy framework and money market functioning and a Master Plan for EU accession process have been designed.

The second major project is directly related with the **“Technical Cooperation Programme with the central banks of the Western Balkans preparing their accession to the European System of Central Banks (ESCB) - Need Analysis for BoA”** conducted in 2014 and carried out by the Eurosystem. It aimed at assessing the regulatory and operational framework of the BoA, as well as its policies and practices, against the standards of the EU central banks, with a view to the integration of the Republic of Albania into the EU and the consequent integration of the Bank of Albania into the European System of Central Banks (ESCB) and thereafter the euro area. The analysis covered 13 areas concluding with 194 recommendations depicting a comprehensive map of BoA needs on: A) accounting and financial reporting; B) banking supervision; C) banknotes and coins; D) communication; E) EU integration; F) financial stability; G) human resources; H) information technology; I) internal audit; J) legal services; K) monetary policy and operations; L) payment systems; and M) statistics.

Quite recently a number of study visits and mission experts mainly from Banca d’Italia were part of a bilateral agreement. A key part of this cooperation is the ongoing review of the Law “On the Bank of Albania” with the direct assistance of IMF and Banca d’Italia, aiming to aligner with EU practices, important legal concepts such as: independence of central banks, the prohibition of them by directly financing the public sector and further enhancement of accountability and transparency.

During 2018, the Bank of Albania has been visited from several TA IMF missions, providing assistance and consultancy in various technical aspects of monetary policy formulation and

implementation, financial stability, statistics, supervision and accounting.

In the context of the program "On Management and Consultancy in the Currency Investing" (RAMP), cooperation with the World Bank has continued in the direction of providing technical assistance for the implementation of an integrated credit risk model and interest rate.

During 2018, the Bank of Albania with the assistance of the World Bank has finalized a number of projects where it is worth mentioning the study "On measuring the costs of payment instruments", an analysis of the Albanian market regarding the financial inclusion of the population from the point of view of payments, and remittance market analysis. Based on the findings of these studies and analyzes, the Bank of Albania supported by the World Bank has drafted and adopted at the fourth National Committee of Payments Committee, held in May 2018, the "National Strategy for the Securities Market (2018-2023)".

Cooperation with the World Bank has continued in the areas of remittances and payments including financial awareness and education, payment systems, securities clearing systems, central securities depositors and central counterparts.

Regarding emergency recovery and intervention, the Bank of Albania has continued to provide World Bank assistance in drafting regulatory acts as well as identifying and evaluating functions of critical importance.

Over the past year, cooperation with the London School of Economics and Political Science continued. An annual conference on Monetary Policy, Economic Integration and "New Normality" was organized in November.

The Bank of Albania has continued its cooperation with FSVC, where it is worth mentioning the commitment of experts from the Board of Directors of FED in the investigation of the situation and in the training of the Bank of Albania's officials in order to improve and update the management skills of the BoA directors.

### **3. Description**

#### **3.1 Background and justification**

The Bank of Albania (BoA) is the central bank of the Republic of Albania.

The principal objective of the Bank of Albania is to achieve and maintain price stability. The other objectives of the Bank of Albania, which shall be subordinated to the primary objective of the Bank of Albania, shall be to foster the liquidity, solvency, and proper functioning of a stable market-based banking system. The basic tasks of the Bank of Albania shall be: a) to formulate, adopt and execute the monetary policy of Albania, which shall be consistent with its primary objective; b) to formulate, adopt and execute the exchange arrangement and the exchange rate policy of Albania; c) to license or revoke and supervise banks that engage in

the banking business in order to secure the banking system stability; d) to hold and manage its official foreign reserves; e) to act as banker and adviser to, and as fiscal agent of, the Government of Republic of Albania; and f) to promote the smooth operation of payments systems. Any objective and other duty designated for the Bank of Albania subordinate the achievement of its principal objective.

The Bank of Albania shall have the exclusive right and will act as sole issuer of banknote and coins as legal tender within the territory of the Republic of Albania. 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 analyzing risks and threats to financial stability. As the Law No. 133/2016 on the Recovery and Resolution of Banks in the Republic of Albania came into force in 11<sup>th</sup> of July 2017, Bank of Albania acts as the Resolution Authority with a clear mandate to use the set of resolution **tools and powers** to deal effectively with banks that are failing or are likely to fail, minimise the negative impact of bank failures on **taxpayers** and establish the Resolution **Fund**, financed by the banking sector, to provide support for failing banks if needed. The Recovery and Resolution law is largely in line with the BRRD.

The structure of the BoA comprises the following departments: Monetary Policy; Monetary Operations; Banking Supervision; Financial Stability; Resolution; Statistics; Human Resources; Legal; Research; Issue; Payment Systems and Accounting and Finance; Information Technology; Audit; Security and Protection; Administration. In addition, it comprises five Bank branches.

In view of future membership of Albania in the EU, BoA, is preparing itself to adopt and implement the EU standards of the ESCB.

In 2014, BoA implemented the First Component of the Technical Cooperation Programme with the central banks of the Western Balkans preparing their accession to the European System of Central Banks (ESCB), financed through IPA. This programme was led by the ECB in cooperation with other Eurosystem central banks (NCBs).

The final report delivered from the “Need analysis for BoA” shows that in the areas covered by the scope of the report, BoA is a professional, strategically focused and transparent organization with good technical capacity. Many of its current regulations and practices are already in line with EU standards. However, other regulations and procedures do not yet comply with EU standards. Even though gaps were identified, it should be emphasized that the NCB experts strongly acknowledge the BoA achievements towards EU accession.

The preparations for the future membership of BoA in the EU central banking community are a challenge. The Bank’s institutional and structural development and the process of adopting the *acquis* require the reinforcement of the capacities and enhancement of the skills and competences of the BoA. The recommendations listed on “Needs Analysis for BoA” for each of 13 areas analyzed, provide a solid base not only in terms of which areas the future technical

cooperation shall tackle, but also on what remains to be accomplished in order to fulfill the ESCB requirements for membership.

Therefore, the Bank of Albania needs to implement a project aimed at closure of gaps as identified in the 2014 “Need Analysis for BoA” Programme. That will speed up the process of adjustment to European standards, in cooperation with Eurosystem Central Banks. Since the project intends to address core central banking activities and the aim of BoA is the eventual membership in the ESCB, the logical counterparts for the implementation of the project are its partner central banks.

### **3.2. Ongoing reforms**

With regard to country’s effort in which Twinning project will be implemented, as stated in the document of the **National Strategy for Development and Integration**, the priorities are based on the need to provide a sound financial and banking activity, which: will guarantee the safety of savings of Albanian citizens; will promote financial stability; will contribute to the positive functioning of the economy in general.

From this prospective broadening and deepening further the financial intermediation in the country remain one of the key challenges. Other important priorities are set: to improve the quality of the loan portfolio in the banking system; to further strengthening risk management capacities; to increase the harmonization between supervisory authority and fiscal policies; to address effectively non-performing loans; to improve the instruments for assessing systemic risk.

### **3.3 Linked activities**

Bank of Albania has a positive historical record with regard to relations with the European Commission, ECB and ESCB. The culmination of these relations coincides with the implementation of two twinning projects, the outcome of which is assessed as very positive.

**1 – The Twinning Project “Strengthening the institutional capacity of the Albanian Central Bank particularly in the areas of banking supervision, statistics, payment systems and the implementation of the monetary policy”, financed by the European Union in the framework of the IPA 2010 Programme for Albania was composed of 6 Components:**

1. Banking Supervision and Financial Stability;
2. Statistics;
3. Payment Systems;
4. Inter-bank Money Market;
5. Coordination of the EU Integration process;
6. Financial literacy.



The implementation of the project was to a large extent a success. All the mandatory results of the project were achieved. During the 20 months of the duration of the project were implemented 108 activities according to 6 components of the project. In the field of banking supervision and financial stability various new regulations have been drafted or approved, in the statistics field preparation of a two year action plan for balance of payments statistics were realized; modernization of the payment systems and the upgrading of oversight activities, and an in depth analysis of monetary policy framework and money market functioning and a Master Plan for EU accession process have been designed.

Besides detailed training programs of the Bank of Albania staff in various fields, the project experts have developed new assessment methods, stress testing methodologies and recommendations, which aim at strengthening the Bank of Albania, through the introduction of new procedures and methods in the functioning of Bank, according to the best practices of the functioning of the European Systems of Central Banks.

**2** – The Technical Cooperation Programme with the central banks of the Western Balkans preparing their accession to the European System of Central Banks (ESCB) carried out on 2014 from the Eurosystem. This programme covered 13 areas concluding with 194 recommendations depicting a comprehensive map of BoA needs on: A) accounting and financial reporting; B) banking supervision; C) banknotes and coins; D) communication; E) EU integration; F) financial stability; G) human resources; H) information technology; I) internal audit; J) legal services; K) monetary policy and operations; L) payment systems; and M) statistics.

**3** – ESCB project "Programme for Strengthening the Central Bank Capacities in the Western Balkans with a view to the integration to the European System of Central Banks" is a continuation of the successful former ECB-coordinated ESCB programmes and is closely linked to the former needs analyses of the Western Balkans performed by the ESCB (last time in 2014). Therefore, the programme is based on established procedures within the ESCB.

The programme has been accurately developed over the past two years in close cooperation between NCBs, the ECB and the EC on the donor side and the eight beneficiary institutions on the recipient side. The content of the programme has been carefully coordinated among donors and recipients as well as responsibilities have been shared among partners within their abilities and capacities.

The program consists of two components:

*Component One – Training and high-level policy workshops:*

Over the course of 24 months, it is expected that central bank and supervisory experts from the WB6 will have undergone a training programme on key central banking and supervisory issues consisting of 20 training events, each lasting up to three days, providing capacity for up to 360 training places.

The training will focus particularly on specific issues in the areas of banking supervision, financial stability, recovery and resolution, monetary policy, payment systems, statistics, compliance and EU integration, governance policies, accounting and internal audit, and will be provided by experts from the national central banks of the ESCB and the ECB.

Component One will last the entire implementation period.

*Component Two –Bilateral measures and internships:*

- Over the course of 18 months – starting six months after Component One – experts from national central banks (NCBs) of the ESCB and the ECB will implement up to two bilateral measures benefiting the six Western Balkan EU candidates and potential candidates (meaning that – in the case with more than one beneficiary, i.e. Bosnia and Herzegovina -, the different institutions benefiting from the action will need to cooperate at national level).
- Furthermore, each WB6 country will be offered the possibility of maximum two up to 30-day internships at a NCB or the ECB depending on the availability of resources at the NCBs and the ECB.

Component Two will cover 18 months of the implementation period starting six months after the beginning of the implementation of the programme.

Bilateral cooperation as part of the second component of the project will be determined taking into consideration any possible overlap with other technical cooperation projects.

Twinning project will be complementary to the Regional Program. Bank of Albania will take all the necessary steps to avoid any possible risk of potential overlapping.

The complementarity between two projects will be ensured among other things by the use of different implementation methodologies and the targeted scope of the Twinning support which will be enhanced by the regional program.

4 – World Bank assistance on banking resolution. The technical assistance will focus on developing the by-laws to be adopted by Bank of Albania in line with Law No. 133/2016 on the Recovery and Resolution of Banks in the Republic of Albania.

5 – State Secretariat for Economic Affairs (SECO) assistance on monetary policy. The Monetary Policy Department will be assisted on monetary policy analysis and implementation and it will mostly be administrated through in-person and remote technical assistance. The length of the program is expected to be from end of 2018 until 2020.”

6 – IMF technical assistance on banking supervision. A permanent advisor has been assigned to support BoA efforts on *Strengthening Financial Sector Surveillance*.

7 – World Bank technical assistance on resolution of the Non-Performing Loans.

FSVC technical assistance on banking supervision. More specifically the TA will consist on

- re-designing a risk assessment system for SCAs, implementing the requirements of the new law and regulations;
- improving BoA’s Supervision Department capacities on legal and regulatory requirements of licensing banks and NBFIs, based on EU standards;

- improving BoA's Supervision Department capacities in strengthening consolidated supervision of financial institutions

### **3.4 List of applicable *Union acquis*/standards/norms:**

- Directive 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms;
- Regulation (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms;
- Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms
- Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts
- Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market
- Regulation (EC) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community
- Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions
- Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions
- Basel III Accord;
- European System of Central Bank Audit Policy;
- Regulation of the European Central Bank No 795/2014 of 3 July 2014 on oversight requirements for systemically important payment systems;
- Recommendations for the security of internet payments of the European Central Bank;
- ECB Manual on oversight framework for credit transfer, direct debits and cards;
- Euro system oversight policy framework of the European Central Bank;
- Drafting of Audit Manuals in line with European Systems of Central Banks;
- Drafting of Procedures and Risk Assessment Methodology in line with European Systems of Central Banks.
- ESRB Recommendation 2011/3 on the macroprudential mandate of national authorities;
- ESRB Recommendation 2014/1 on guidance for setting countercyclical buffer rates;
- ESRB Recommendation 2013/1 on intermediate objectives and instruments of macroprudential policy.
- Regulation (EU) No. 1071/2013 of the European Central Bank of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector.
- Guideline of the European Central Bank on the statistical reporting requirements in the field of quarterly financial account.

### **3.5 Components and results per component**

The project will aim to achieve the following results:

**Result 1 (Component 1) Supervision role and financial stability strengthened in accordance with the European framework and international best practices.**

**Sub-results 1.1.** New sub legal acts, for implementation of Basel III and Capital Requirements Directive were developed.

**Indicators of achievement:**

- By law regulation on Basel II and EU directive on capital requirements applied in line with best practices of EU and ESCB;
- Procedures and other changes affecting the daily operation were communicated to banking system;
- Number of Banking Supervision Department staff trained;

**Sub Result 1.2.** New policy paper and guidelines for approximation with ESRB recommendations were drafted.

**Indicators of achievement:**

- Policy paper and guidance on meeting ESRB standards on ensuring financial stability of the financial system produced and applied;
- Financial stability staff involved on producing and analysing FSI trained.
- Banking industry got informed about Macro prudential toolkit and other policy related with intermediate objectives and instruments of macro-prudential policy.

**Result 2 (Component 2) monetary policy and Statistics harmonized in accordance with the European framework and international best practices.**

**Sub Result 2.1.** New improved Monetary Policy Document was prepared;

**Indicators of achievement:**

- Improved version of MPR produced and disseminated.
- Supervisory Council was informed on changes and new features of MPR.
- Other market participants including Media journalist were informed accordingly.

**Sub Result 2.2.** New sub legal act and manual aiming to alignment of BoA monetary statistics and financial accounts with ECB requirements were drafted.

**Indicators of achievement:**

- Improved version of annual FA output - flows data, by sectors/subsectors compiled.
- Data sources identified and methods for estimations developed in order to compile quarterly FA stocks and flows data, by sectors/subsectors.
- Methodology for consolidation of monetary statistics developed and applied.

**Result 3 (Component 3). Auditing capacities functions strengthened in accordance with the European framework and international best practices.**

**Sub Result 3.1.** New sub legal acts, manuals, policy documents and training plans for harmonization of Audit activity in line with ECB & ESCB standards were developed.

**Indicators of achievement:**

- By law regulatory documents aligning the Audit activity with EU/ESCB best practices approved and applied;
- Procedures and other changes were communicated to BoA departments;
- Number of Audit Department staff trained;

**Result 4 (Component 4): Payment systems harmonized in accordance with the European framework and international best practices.**

**Sub Result 4.1.** New legal act for PAD implementation was drafted;

**Indicators of achievement:**

- Law for Payment Account in line with PAD submitted to Albanian Parliament
- Banking system got informed;

**Sub Result 4.2.** New manuals and for approximating with ECB standards the BoA payment system oversight framework were drafted.

**Indicators of achievement:**

- Number of relevant BoA employees trained.
- Manual for oversight of payment instruments and a set of recommendations for security of internet payments approved and applied in line with ECB standards;
- Number of relevant BoA staff trained.

**Sub Result 4.3.** A gap analysis followed by a roadmap on ECB Target 2 system implementation was carried out.

**Indicators of achievement:**

- A need analysis with special focus on TARGET2 conducted;
- A scenario for possible connection between country's RTGS system and TIPS services produced and operationalized;
- Number of staff trained in TARGET2 and TIPS issues (operations, rules and procedures) and ISO20022 issues.

**Result 5 (Component 5): Other central banking functions aligned in accordance with the European framework and international best practices.**

**Sub Result 5.1.** New guidelines aiming to approximate with ECB standards regarding e-recruitment process, recruitment of external Applicants and conditions of staff employment for Staff.

**Indicators of achievement:**

- Guidelines for aligning some of the HR practices with ECB standards approved and applied
- Number of relevant BoA staff trained.

**Sub Result 5.2.** A roadmap to design the role and challenges of European Integration Office was prepared.

**Indicators of achievement:**

- Role and contribution of EIO determined;
- Role and contributions of other BoA units determined;
- Number of relevant BoA staff trained.

**3.6 Means/ Input from the EU Member State Partner Administration:**

**3.6.1 Profile and tasks of the Project Leader**

The project is envisaged to provide exchange of experience and know-how with a MS Institution with good practice in the above stated project activities.

This project requires a Project Leader who will be responsible for the overall coordination of the project activities. The Project Leader is expected to closely work with the Resident Twinning Advisor (RTA) and the short-term experts as well as with the counterpart of the Bank of Albania (Beneficiary Institution).

**Profile:**

- University Degree in Law, Political Sciences, or Economics or equivalent professional experience of 8 years
- Be a national of a Member State of the European Union
- Proven contractual relation to a public administration or mandated body
- At least 3 years of specific experience either in Legislative Service, or in the European Department of the Central Bank of an EU MS;
- Managerial experience will be considered an asset
- Excellent English skills (oral and written);
- Excellent computer skills
- Previous experience in project management with similar nature will be considered as asset

**Tasks:**

- Overall project co-ordination and monitoring,
- Provide strategic advice on high level regarding reforms supported by the Twinning
- Monitor and steer the project implementation, including coordination and direction of the MS TW partner, and develop corrective measures if and when needed

- Supervision of the implementation of the project in coordination with the Albanian Project Leader counterpart,
- Mobilizing short-term experts,
- Communicate with the beneficiary and EUD
- Closely work with the RTA and the short term experts,
- Executing administrative issues (i.e. signing reports, side letters etc.),
- Guarantee from the MS administration side, the successful implementation of the project
- Ensure the backstopping functions and financial management
- Participate in quarterly meetings of the Project Steering Committee with the BC PL;
- Participate in preparation of the initial and subsequent work plans;
- Participate in preparation of interim and final reports
- Undertaking all activities specified in the project and achieving the mandatory results

### **3.6.2 Profile and tasks of the Resident Twinning Advisor (RTA)**

#### Profile and tasks of the RTA

This project requires a Resident Twinning Advisor (RTA) as well as medium/short term experts will implement the project. The RTA has the responsibility to guide the work of the team and collaborate closely with the beneficiary counterpart.

The medium/short term experts will work in close cooperation with the RTA in order to meet the specific objectives as set out above. The RTA will cooperate primarily with the staff of the Bank of Albania and with the implementing institutions.

#### Profile of the RTA

- University degree in Economics, Finances, Law, Social studies or other relevant field or equivalent professional experience of 8 years.
- Be fully conversant with relevant EU legislation in the area concerned with proven knowledge of conceptual / systemic issues and practical experience from an executive position;
- Must have at least three years' experience in activities related to the implementation of the EU acquis in the area covered by the Twinning project fiche
- Good training, public speaking, presentation and communication skills;
- Excellent computer proficiency;
- Excellent oral and written English communication skills;

#### TASKS:

The RTA will be located within Bank of Albania facilities and over 12 month period will be responsible for the following key activities:

- Daily supervision, monitoring and on-site coordination of the implementation of all activities that fall within the Twinning project, including proposing and implementing corrective measures if and when needed.
- Provide technical advice and assistance to the administration or other public sector bodies in the Beneficiary Country (BC) in the context of a predetermined work-plan;
- Developing and maintaining a close and permanent professional relationship with the leadership and staff of the beneficiary institution; Keep the Beneficiary PL informed about the implementation and reports regularly to the Member State PL;
- Coordination of the activities of the team members in line with the agreed work programs to enable timely completion of project outputs;
- Preparation of projects progress reports;
- Permanent contact with the beneficiary RTA Counterpart;
- Liaison with CFCU and EU Task Manager;
- Liaison with other relevant projects
- Ensuring smooth correlation between the activities, deadlines and the envisaged results in the Work Plan; Ensure timely and correct implementation of the activities as outlined in the initial and subsequent work plans;
- Preparation of the materials and documentation for regular monitoring and reporting;
- Preparation of side letters;
- Maintaining a close and permanent professional relationship with the Project Leader (reporting),
- Together with the Project Leader, to nominate, mobilize and supervise the Short-Term experts.

### **3.6.3 Profile and tasks of the Component Leader**

The bulk of support from member state institution to BoA will be provided through short term experts. Each component will have its own short term experts. For each component one of the short term experts will act as a component leader and coordinate, in close cooperation with the RTA.

#### **Component Leader 1 for result 1:**

##### **Profile**

- University Degree in Economics or similar discipline relevant to the project or equivalent professional experience of 8 years in central banking.
- Minimum 3 year of experience at the expert level on banking supervision;
- Excellent English skills (oral and written);
- Excellent computer skills.

##### **Tasks:**

- Undertaking all activities and achieving mandatory tasks;
- Conducting gap analysis in the area of the banking supervision and financial stability expected results;
- Preparing and presenting all the proposals related with Basel III Accord Implementation; Capital Requirements Directive Implementation and Capital Requirement Directive Implementation.

#### **Component Leader 2 for result 2:**



**Profile**

- University Degree in Economics or similar discipline relevant to the project or equivalent professional experience of 8 years in central banking.
- Minimum 3 year of experience at the expert level on monetary policy analysis and monetary and financial statistics;
- Excellent English skills (oral and written);
- Excellent computer skills.

**Tasks:**

- Undertaking all activities and achieving mandatory tasks in the area of monetary policy and statistics;
- Conducting gap analysis in the area of the monetary policy and statistics expected results;
- Elaborating and presenting the proposals in the areas of the project component.

**Component Leader 3 for result 3:****Profile**

- University Degree in Economics or similar discipline relevant to the project or equivalent professional experience of 8 years in central banking.
- Minimum 3 year of experience at the expert level on auditing of the banking system;
- Excellent English skills (oral and written);
- Excellent computer skills.

**Tasks:**

- To prepare training programs for the auditors and support the effectiveness of the training program;
- Undertaking all activities and achieving mandatory tasks regarding the Internal Auditing Manual, Regulation on operational risk management and Business continuity policy document;
- Conducting gap analysis in the area of the Internal Auditing, Operational risk management and business continuity policy best practices;
- Elaborating and presenting the proposals in the areas of the project component.

**Component Leader 4 for result 4:****Profile**

- University Degree in Economics or similar discipline relevant to the project or equivalent professional experience of 8 years in central banking.
- Minimum 3 year of experience at the expert level on payment systems;
- Excellent English skills (oral and written);
- Excellent computer skills.

**Tasks:**

- Undertaking all activities and achieving mandatory tasks regarding security internet payments, Roadmap for Target 2 systems, etc.;
- Conducting gap analysis in the area of payment systems;

- Elaborating and presenting the proposals in the areas of the project component.

### **Component Leader 5 for result 5:**

#### **Profile**

- University Degree in Economics or similar discipline relevant to the project or equivalent professional experience of 8 years in central banking.
- Minimum 3 year of experience at the expert level on European integration including HR best recruitment practices;
- Excellent English skills (oral and written);
- Excellent computer skills.

#### **Tasks:**

- Undertaking all activities and achieving mandatory tasks regarding E-recruitment and European Integration Roadmap;
- Conducting gap analysis in the area of the component management;
- Elaborating and presenting the proposals in the areas of the project component.

### **3.6.4 Profile and tasks of the Short-Term Experts**

Short-term experts will provide support to the Beneficiary administration and shall assist the PL and the RTA in delivering the activities within the project. Tasks for short-term expert(s) will be elaborated by Project Leader/RTA and the beneficiary counterpart at the work plan preparation stage.

#### **Profile**

- University Degree in Law, Political Science, Economics or similar discipline relevant to the project or equivalent professional experience of 8 years in central banking.
- Minimum 3 year of experience at the expert level at the related field according to the contract;
- Excellent English skills (oral and written);
- Excellent computer skills.

#### **Tasks:**

- Undertaking all activities and achieving mandatory results;
- Conducting analysis on the area of the project components;
- Preparing and conducting training programs;
- Elaborating and presenting the proposals on the area of the project components.

### **4. Budget**

The budget for the project is EUR 800 000 which will be covered by IPA contribution, in line with the Twinning Manual.

## **5. Implementation Arrangements**

### **5.1 Implementing Agency responsible for tendering, contracting and accounting**

**General Directorate for Financing and Contracting of EU, World Bank and Other Donor Funds/ Central Finance and Contracting Unit (CFCU) Albania, Ministry of Finance and Economy, Albania**

**Ms. Enkelejda Kokthi**

**General Director**

"Dëshmorët e Kombit" Blvd. No.3,

Tirana – Albania

**Delegation of the European Union to Albania**

**Ledia Muço**

**The Project Manager at the EU Delegation**

### **5.2 Institutional framework**

Pursuant to Article 53, Law "On the Bank of Albania" No. 8269, dated 23.12.1997, the Governor shall serve as the Chief Executive Officer of the Bank of Albania in charge of the day-to-day business of the Bank of Albania and Chairman of the Supervisory Council of the Bank of Albania.

The Governor shall be responsible to the Supervisory Council for the execution of its decisions, including the implementation of monetary, credit, and exchange rate policies, and for the direction, control and supervision on Bank of Albania administration and operations. In particular, the Governor is vested the power to take all actions required or deemed advisable by him for the administration or operations of the Bank of Albania.

The Governor is appointed by the Assembly of the Republic of Albania on the basis of the proposal of the President of the Republic. The term of the Governor shall be seven years, and he may be eligible for reappointment.

The Bank is managed by the Supervisory Council, which is the highest decision-making and supervisory body, and by the administrators, who are the governor, who chairs the Council and the two deputy governors.

The Supervisory Council consists of 9 (nine) members, as follows:

- a) The Governor, who is Chairman of the Supervisory Council;
- b) First Deputy Governor, who is Deputy Chairman of the Council;
- c) Second Deputy Governor; and
- d) Six other members.

All members of the Supervisory Council are appointed by the Assembly (based on the proposals of the bodies defined in Article 44 of the Law) for a 7 (seven) year term with the right of re-election.

In December 2018 the Parliament voted for the completion of six vacancies in the Bank of Albania's Supervisory Council, of which 3 were government proposals and 3 by the Parliament itself. At present, the Supervisory Council is complete and exercises its activity in accordance with the Law on the Bank of Albania

The administration of the Bank of Albania is composed of fifteen services: 1. Legal Service; 2. Banking Supervision Service; 3. Human Resources Service; 4. Internal Audit Service; 5. Monetary Operations Service; 6. Monetary Policy Service; 7. Financial Stability Service; 8. Statistics Service; 9. Research Service; 10. Issue Service; 11. Payment Systems, Accounting and Finance Service; 13. Information Technology Service; 14. Administration Service; 15. Security Service.

The task of legal service is to provide to the Supervisory Council, Administrators and organizational unit of the Bank of Albania the necessary legal assistance to carry out the revision of regulatory framework and oversight functions of the Bank.

The Legal Service is composed of 3 sectors: Banking Issues Sector, Internal Issues Sector and Financial Issues Sector.

The Director of the Legal Services carries out effective supervision of the services under his responsibility. The Director of the Legal Services is under the direct responsibility of the Governor.

The IPA Unit in the Bank of Albania is set up under the direct supervision of the Director for Coordination at Governor Office which is responsible for the programming, preparation and technical implementation of the projects coming under its responsibility and funded under the IPA II programme, in line with the Operational Agreement and in accordance with the relevant Financing Agreement. The Director for Coordination of the Bank of Albania is also head of IPA Unit. The IPA Unit is composed of 3 experts: 1 Project Programming Officer and 2 Project Implementation Officer.

The staff of the IPA Unit will ensure the co-ordination and the day-to-day running of the project from the BC institution. The Project Implementation Officer of the IPA Unit will be *ex-officio* RTA counterpart from the Bank of Albania. A dedicated Project Implementation Unit will also be established for the implementation of the project.

### 5.3 Counterpart in the Beneficiary administration

#### 5.3.1 Contact person:

Alma Marku, Specialist at the European Integration Office, Governor's Office.

Project Implementation Officer at the IPA Unit of the Bank of Albania

Postal Address: Scanderbeg Square No.1, Tirana, Albania – 1001.

#### 5.3.2 Project Leader counterpart:

**Mr. Gramos Kolasi**

Director for Coordination, Governor's Office, Bank of Albania  
Postal Address: Scanderbeg Square No.1, Tirana, Albania – 1001.

#### 5.3.3 The Resident Twinning Adviser counterpart:

**Mr. Gerti Çausi**

Governor's Office, European Integration Office, Bank of Albania  
Postal Address: Scanderbeg Square No.1, Tirana, Albania – 1001.

### **6. Duration of the project**

Duration of the implementation period: 12 months. The execution period will end 3 months after the implementation period of the Action (work plan), which will take 12 months.

### **7. Management and reporting**

#### **7.1 Language**

The official language of the project is the one used as contract language under the instrument (English / French). All formal communications regarding the project, including interim and final reports, shall be produced in the language of the contract.

#### **7.2 Project Steering Committee**

A project steering committee (PSC) shall oversee the implementation of the project. The main duties of the PSC include verification of the progress and achievements *via-à-vis* the mandatory results/outputs chain (from mandatory results/outputs per component to impact), ensuring good coordination among the actors, finalising the interim reports and discuss the updated work plan. Other details concerning the establishment and functioning of the PSC are described in the Twinning Manual.

#### **7.3 Reporting**

All reports shall have a narrative section and a financial section. They shall include as a minimum the information detailed in section 5.5.2 (interim reports) and 5.5.3 (final report) of the Twinning Manual. Reports need to go beyond activities and inputs. Two types of reports are foreseen in the framework of Twinning: interim quarterly reports and final report. An interim quarterly report shall be presented for discussion at each meeting of the PSC. The narrative part shall primarily take stock of the progress and achievements *via-à-vis* the mandatory results and provide precise recommendations and corrective measures to be decided by in order to ensure the further progress.

## **8. Sustainability**

The successful implementation of the project will further improve the regulatory and oversight functions of the Bank of Albania in general and in the EU-related issues in particular.

The successful implementation of the project will bring about a more efficient and qualitative approximation of Albanian legislation to the EU *acquis*, improve oversight functions of the Bank of Albania in relation to the work of the government and independent institutions.

It also shall strengthen the institutional capacity of the Bank of Albania and aligning it with the European System of Central Banks model towards independence, accountability, internal control and procurement.

## **9. Crosscutting issues** (*equal opportunity, environment, etc.*)

Equal access in compliance with the constitutional principal of equality will be guaranteed for participation in this project. The selection of the training participants in this twinning programme will be made on non-discriminatory criteria regarding to men, women, administration staff, members of parliament, majority and opposition participation.

The project has no evident effect on the environment.

## **10. Conditionality and sequencing**

### **10.1 Conditionality**

A key condition for the implementation of the Twinning Project is the full support of the most senior elected members level (such as the Governor, and the Supervisory Council) and the highest Bank of Albania civil servant level (such as the Heads of Departments) to the execution of this twinning project, independently of political affiliations and of the political situation. Additional conditionality includes:

- Co-operation and transparency among all partners and stakeholders involved in the implementation of the project,
- Full commitment of both the Bank of Albania and the twinning counterpart to mobilize all appropriate human and financial resources for a successful implementation of the project.

The Beneficiary furthermore shall:

- a) Support the RTA with office accommodation, trainings rooms and logistical assistance, for details please refer to point 5.13 of the Twinning Manual at the following address: [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/twinning\\_manual\\_2017\\_-\\_update\\_2018.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/twinning_manual_2017_-_update_2018.pdf)

- b) Ensure that appropriate staff is made available to work with the EU twinning partner(s). Counterparts for each of the objectives will be appointed to facilitate the implementation of the respective activities of the twinning project;
- c) Be responsible for providing the EU experts with legislation and any other documents necessary for the implementation of the project;
- d) Ensure that staff trained under this project is encouraged to increase its capacity according to the tasks specified in the job description and to its promotion based on the merit. In this context a data base of what training was provided to which person should be maintained by the implementing partner for future monitoring.
- e) Provide all possible assistance to solve any unforeseen problem that the EU twinning partner(s) may face;

Equally, the Twinning team, as led by the Twinning Resident Adviser must ensure full collaboration with the counterparts of the institution. Communications should be open and consistent. The Twinning team must carry out activities in the interest of the institution, and maintain its involvement at all stages of activities.

## **10.2 Sequencing**

Keys milestones will be:

- Successful selection of a Twinning partner
- Signature of the Twinning contract, including the Twinning Work Plan;
- Start of the twinning partnership (inter alia, the arrival in the country of the Resident Twinning Advisers);
- End of the implementation period;
- Submission of the final report.

## **11. Indicators for performance measurement**

**Sub-results 1.1.** New sub legal acts, for implementation of Basel III and Capital Requirements Directive were developed.

### **Indicators of achievement:**

- By law regulation on Basel II and EU directive on capital requirements applied in line with best practices of EU and ESCB;
- Procedures and other changes affecting the daily operation were communicated to banking system;
- Number of Banking Supervision Department staff trained;

**Sub Result 1.2.** New policy paper and guidelines for approximation with ESRB recommendations were drafted.

**Indicators of achievement:**

- Policy paper and guidance on meeting ESRB standards on ensuring financial stability of the financial system produced and applied;
- Financial stability staff involved on producing and analysing FSI trained.
- Banking industry got informed about Macro prudential toolkit and other policy related with intermediate objectives and instruments of macro-prudential policy.

**Sub Result 2.1.** New improved Monetary Policy Document was prepared;

**Indicators of achievement:**

- Improved version of MPR produced and disseminated.
- Supervisory Council was informed on changes and new features of MPR.
- Other market participants including Media journalist were informed accordingly.

**Sub Result 2.2.** New sub legal act and manual aiming to alignment of BoA monetary statistics and financial accounts with ECB requirements were drafted.

**Indicators of achievement:**

- Improved version of annual FA output - flows data, by sectors/subsectors compiled.
- Data sources identified and methods for estimations developed in order to compile quarterly FA stocks and flows data, by sectors/subsectors.
- Methodology for consolidation of monetary statistics developed and applied.

**Sub Result 3.1.** New sub legal acts, manuals, policy documents and training plans for harmonization of Audit activity in line with ECB & ESCB standards were developed.

**Indicators of achievement:**

- By law regulatory documents aligning the Audit activity with EU/ESCB best practices approved and applied;
- Procedures and other changes were communicated to BoA departments;
- Number of Audit Department staff trained;

**Sub Result 4.1.** New legal act for PAD implementation was drafted;

**Indicators of achievement:**

- Law for Payment Account in line with PAD submitted to Albanian Parliament
- Banking system got informed;

**Sub Result 4.2.** New manuals and for approximating with ECB standards the BoA payment system oversight framework were drafted.

**Indicators of achievement:**

- Number of relevant BoA employees trained.
- Manual for oversight of payment instruments and a set of recommendations for security of internet payments approved and applied in line with ECB standards;



- Number of relevant BoA staff trained.

**Sub Result 4.3.** A gap analysis followed by a roadmap on ECB Target 2 system implementation was carried out.

**Indicators of achievement:**

- A need analysis with special focus on TARGET2 conducted;
- A scenario for possible connection between country's RTGS system and TIPS services produced and operationalized;
- Number of staff trained in TARGET2 and TIPS issues (operations, rules and procedures) and ISO20022 issues.

**Sub Result 5.1.** New guidelines aiming to approximate with ECB standards regarding e-recruitment process, recruitment of external Applicants and conditions of staff employment for Staff.

**Indicators of achievement:**

- Guidelines for aligning some of the HR practices with ECB standards approved and applied
- Number of relevant BoA staff trained.

**Sub Result 5.2.** A roadmap to design the role and challenges of European Integration Office was prepared.

**Indicators of achievement:**

- Role and contribution of EIO determined;
- Role and contributions of other BoA units determined;
- Number of relevant BoA staff trained.

## **12. Facilities available**

Bank of Albania will made available for hosting the RTA and his/her assistants including meeting rooms, office space, hard and software, security related issues and facilities for training, seminars and conferences. Support to the RTA with office accommodation, trainings rooms and logistical assistance will be provided.

## **ANNEXES TO PROJECT FICHE**

1. Logical framework matrix in standard format (compulsory)
2. Detailed Implementation Chart (indicative)
3. Contracting and Disbursement Schedule by Quarter for full duration of programme (including disbursement period) (indicative)
4. List of relevant laws and regulations (indicative)



## ANNEX 1: Logical framework matrix in standard format

	Description	Indicators (with relevant baseline and target data)	Sources of verification	Risks	Assumptions (external to project)
<b>Overall Objective</b>	To provide support to the Bank of Albania (BoA) to strengthen macroeconomic, financial stability, auditing, supervision and payment system in its preparation for membership in the ESCB and eventually the Eurosystem.	<ul style="list-style-type: none"> <li>– Price stability over medium term;</li> <li>– Stability of the financial system in the country;</li> <li>– Further alignment of the BoA with ESCB Standards;</li> </ul>	<p>EU Progress Report for Albania.</p> <ul style="list-style-type: none"> <li>-Adoption of relevant legislation in compliance with the EU rules and standards.</li> <li>- BoA Annual Report</li> <li>- Project documents.</li> </ul>		
<b>Specific (Project) Objective(s)</b>	<p>To support the consolidation of the BoA capacities by further aligning its legislation with EU acquis such as:</p> <ul style="list-style-type: none"> <li>– Strengthening banking supervision;</li> <li>– Fostering macroeconomic and financial stability;</li> <li>– Ensuring a more efficient and secure payment system and services;</li> <li>– Aligning methodology and dissemination of Statistics; and</li> <li>– Improving institutional capacities in terms of Internal Audit and European Integration Process.</li> </ul>	Extent to which the tasks of the BoA are executed in line with EU regulations and international standards in the areas of the payment systems, monetary policy, statistics, banking supervision, financial stability, auditing, Human Resources and European Integration.	<ul style="list-style-type: none"> <li>-EU Progress Report on Albania.</li> <li>-National Plan for European Integration 2017-2020.</li> <li>-Bank of Albania documents, postings on the official website.</li> <li>- Annual Report on the Activity of the Bank of Albania. Monetary Policy quarterly reports and Financial Stabilization semi-annual reports.</li> </ul>	<p>Lack of commitment of the BoA to the project;</p> <p>Insufficient human and technical resources allocated to pair the Twinning Administration staff</p>	<ul style="list-style-type: none"> <li>- Normal functioning of the Bank of Albania.</li> <li>-Continued commitment to EU integration.</li> <li>-Allocation of sufficient human and material resources for the project.</li> <li>- Stability in the legal status, functions, powers and staff of the Bank of Albania.</li> </ul>

<p><b>Mandatory results/outputs by components</b></p>	<p>Component 1 – Mandatory <u>Result 1</u> Supervision role and financial stability strengthened in accordance with the European framework and international best practices.</p>	<ul style="list-style-type: none"> <li>▪ New sub legal acts, for implementation of Basel III and Capital Requirements Directive were developed;</li> <li>▪ New policy paper and guidelines for approximation with ESRB recommendations were drafted.</li> </ul>	<p>EU Progress Reports on Albania -Official Journal. -Number of approximated by-laws passed by the Supervisory Council of Bank of Albania. -Number of amendments proposed by the involved department of the Bank of Albania to by-laws for approval by Supervisory Council -Project documents; -Attendance sheets for training events; Evaluation of trainings.</p>	<p>Lack of commitment of the BoA to the project;  Insufficient human and technical resources allocated to pair the Twinning Administration staff</p>	<p>-Full commitment of the twinning project partners (MS and BC). - Optimal collaboration and transparency between twinning partners (MS and BC teams). -Training materials are of a high quality.</p>
	<p>Component 2 – Mandatory <u>Result 2</u>: Monetary policy and Statistics harmonized in accordance with the European framework and international best practices.</p>	<ul style="list-style-type: none"> <li>▪ New improved Monetary Policy Document was prepared;</li> <li>▪ New sub legal act and manual aiming to alignment of BoA monetary statistics and financial accounts with ECB requirements were drafted.</li> </ul>	<p>EU Progress Reports on Albania -Official Journal. -Number of approximated laws and by-laws passed by the Supervisory Council of Bank of Albania. -Number of amendments proposed by the involved department of the Bank of Albania to draft-laws and by-laws for approval by Supervisory Council -Project documents; -Attendance sheets for training events; Evaluation of trainings.</p>	<p>Insufficient human and technical resources allocated</p>	<p>-Full commitment of the twinning project partners (MS and BC). - Optimal collaboration and transparency between twinning partners (MS and BC teams). -Training materials are of a high quality.</p>

	<p>Component 3 – Mandatory <u>Result 3</u> Auditing capacities functions strengthened in accordance with the European framework and international best practices.</p>	<ul style="list-style-type: none"> <li>▪ New sub legal acts, manuals, policy documents and training plans in line with ECB &amp; ESCB standards were developed.</li> </ul>	<p>EU Progress Reports on Albania -Official Journal. -Number of approximated laws and by-laws passed by the Supervisory Council of Bank of Albania. -Number of amendments proposed by the involved department of the Bank of Albania to draft-laws and by-laws for approval by Supervisory Council -Project documents; -Attendance sheets for training events; Evaluation of trainings.</p>	<p>Insufficient human and technical resources allocated</p>	<p>-Full commitment of the twinning project partners (MS and BC). - Optimal collaboration and transparency between twinning partners (MS and BC teams). -Training materials are of a high quality.</p>
	<p>Component 4 – Mandatory <u>Result 4</u> Payment systems harmonized in accordance with the European framework and international best practices.</p>	<ul style="list-style-type: none"> <li>▪ New legal act for PAD implementation was drafted;</li> <li>▪ New manuals and for approximating with ECB standards the BoA payment system oversight framework were drafted.</li> <li>▪ A gap analysis followed by a roadmap on ECB Target 2 system implementation was carried out.</li> </ul>	<p>EU Progress Reports on Albania -Official Journal. -Number of approximated laws and by-laws passed by the Supervisory Council of Bank of Albania. -Number of amendments proposed by the involved department of the Bank of Albania to draft-laws and by-laws for approval by Supervisory Council -Project documents; -Attendance sheets for training events; Evaluation of trainings.</p>	<p>Insufficient human and technical resources allocated</p>	<p>-Full commitment of the twinning project partners (MS and BC). - Optimal collaboration and transparency between twinning partners (MS and BC teams). -Training materials are of a high quality.</p>

	Component 5 – Mandatory <u>Result 5</u> Other central banking functions aligned in accordance with the European framework and international best practices.	<ul style="list-style-type: none"> <li>▪ New guidelines aiming to approximate with ECB standards regarding e-recruitment process, recruitment of external Applicants and conditions of staff employment for Staff.</li> <li>▪ A roadmap to design the role and challenges of European Integration Office was prepared.</li> <li>▪</li> </ul>	<p>EU Progress Reports on Albania</p> <ul style="list-style-type: none"> <li>-Official Journal.</li> <li>-Number of approximated laws and by-laws passed by the Supervisory Council of Bank of Albania.</li> <li>-Number of amendments proposed by the involved department of the Bank of Albania to draft-laws and by-laws for approval by Supervisory Council</li> <li>-Project documents;</li> <li>-Attendance sheets for training events;</li> <li>Evaluation of trainings.</li> </ul>	Insufficient human and technical resources allocated	<ul style="list-style-type: none"> <li>-Full commitment of the twinning project partners (MS and BC).</li> <li>- Optimal collaboration and transparency between twinning partners (MS and BC teams).</li> <li>-Training materials are of a high quality.</li> </ul>
<b>Sub-results per component (optional and indicative)</b>	1.1. New sub legal acts, for implementation of Basel III and Capital Requirements Directive were developed:	<ul style="list-style-type: none"> <li>- By law regulation on Basel II and EU directive on capital requirements applied in line with best practices of EU and ESCB;</li> <li>- Procedures and other changes affecting the daily operation were communicated to banking system;</li> <li>- Number of Banking Supervision Department staff trained;</li> </ul>	Project reports Bank of Albania internal reports	Insufficient human and technical resources allocated	Externa conditions : Not applicable

<p><b>Sub-results per component (optional and indicative)</b></p>	<p>1.2. New policy paper and guidelines for approximation with ESRB recommendations were drafted.</p>	<ul style="list-style-type: none"> <li>- Policy paper and guidance on meeting ESRB standards on ensuring financial stability of the financial system produced and applied;</li> <li>- Financial stability staff involved on producing and analysing FSI trained.</li> <li>- Banking industry got informed about Macro prudential toolkit and other policy related with intermediate objectives and instruments of macro-prudential policy.</li> </ul>	<p>Project reports Bank of Albania internal reports</p>	<p>Insufficient human and technical resources allocated</p>	<p>Externa conditions : Not applicable</p>
	<p>2.1. New improved Monetary Policy Document (MPR) was prepared;</p>	<ul style="list-style-type: none"> <li>- Improved version of MPR produced and disseminated.</li> <li>- Supervisory Council was informed on changes and new features of MPR.</li> <li>- Other market participants including Media journalist were informed accordingly.</li> </ul>	<p>Project reports Bank of Albania internal reports</p>	<p>Insufficient human and technical resources allocated</p>	<p>Externa conditions : Not applicable</p>
	<p>2.2. New sub legal act and manual aiming to alignment of BoA monetary statistics and financial accounts with ECB requirements were drafted.</p>	<ul style="list-style-type: none"> <li>- Improved version of annual FA output - flows data, by sectors/subsectors, for one year compiled.</li> <li>- Data sources identified and methods for estimations developed in order to compile quarterly FA stocks and flows data, by sectors/subsectors.</li> <li>- Methodology for consolidation of monetary statistics developed and applied.</li> </ul>	<p>Project reports Bank of Albania internal reports</p>	<p>Insufficient human and technical resources allocated</p>	<p>Externa conditions : Not applicable</p>

	3.1. New sub legal acts, manuals, policy documents and training plans for harmonization of Audit activity in line with ECB & ESCB standards were developed.	<ul style="list-style-type: none"> <li>- By law regulatory documents aligning the Audit activity with EU/ESCB best practices approved and applied;</li> <li>- Procedures and other changes were communicated to BoA departments;</li> <li>- Number of Audit Department staff trained;</li> </ul>	Project reports Bank of Albania internal reports	Insufficient human and technical resources allocated	Externa conditions : Not applicable
	4.1. New legal act for Payment Account Directive (PAD) implementation was drafted;	<ul style="list-style-type: none"> <li>- Law for Payment Account in line with PAD submitted to Albanian Parliament</li> <li>- Banking system got informed;</li> <li>- Number of relevant BoA employees trained.</li> </ul>	Project reports Bank of Albania internal reports	Insufficient human and technical resources allocated	Externa conditions : Not applicable
	4.2. New manuals and for approximating with ECB standards the BoA payment system oversight framework were drafted.	<ul style="list-style-type: none"> <li>- Manual for oversight of payment instruments and a set of recommendations for security of internet payments approved and applied in line with ECB standards;</li> <li>- Number of relevant BoA staff trained.</li> </ul>	Project reports Bank of Albania internal reports	Insufficient human and technical resources allocated	Externa conditions : Not applicable
	4.3. A gap analysis followed by a roadmap on ECB Target 2 system implementation was carried out.	<ul style="list-style-type: none"> <li>- A need analysis with special focus on TARGET2 conducted;</li> <li>- A scenario for possible connection between country's RTGS system and TIPS services produced and operationalized;</li> <li>- Number of staff trained in TARGET2 and TIPS issues (operations, rules and procedures) and ISO20022 issues.</li> </ul>	Project reports Bank of Albania internal reports	Insufficient human and technical resources allocated	Externa conditions : Not applicable



	5.1. New guidelines aiming to approximate with ECB standards regarding e-recruitment process, recruitment of external Applicants and conditions of staff employment for Staff.	<ul style="list-style-type: none"> <li>- Guidelines for aligning some of the HR practices with ECB standards approved and applied</li> <li>- Number of relevant BoA staff trained.</li> </ul>	Project reports Bank of Albania internal reports	Insufficient human and technical resources allocated	Externa conditions : Not applicable
	5.2. A roadmap to design the role and challenges of European Integration Office (EIO) was prepared.	<ul style="list-style-type: none"> <li>- Role and contribution of EIO determined;</li> <li>Role and contributions of other BoA units determined;</li> <li>- Number of relevant BoA staff trained.</li> </ul>	Project reports Bank of Albania internal reports	Insufficient human and technical resources allocated	Externa conditions : Not applicable

ACTIVITIES	MEANS	OVERALL COST	ASSUMPTIONS
	<p><i>Twining contract</i></p> <ul style="list-style-type: none"> <li>– <i>One Member State Project Leader</i></li> <li>– <i>One Member State Resident Twining Adviser</i></li> <li>– <i>Short-term experts</i></li> </ul>	<p><b>Twining Contract: 800,000 EUR</b></p>	<ul style="list-style-type: none"> <li>-Both parties (twinned and operating structure) mobilize appropriate human and financial resources.</li> <li>-Normal functioning of the Bank of Albania.</li> <li>-Political consensus on new draft proposals.</li> </ul>

**ANNEX 2: Detailed Implementation chart (indicative)**

**Project:** Implementation of ECB/Eurosystem Recommendations for the Bank of Albania, stemming from the conclusions of the First Component Programme “Needs Analysis for the Bank of Albania (BoA)”, which was carried out by the Eurosystem and funded through the Instrument for Pre-Accession 2015 of the European Union (**BANK OF ALBANIA**)

**2019**



**2020**



**2021**



T = Tendering  
C = Contracting period  
I = Implementation  
R = Report

**ANNEX 3: Contracting and Disbursement Schedule by Quarter for full duration of programme (including disbursement period) (indicative)**

		<b>Quarter 4 2019</b>	<b>Quarter 4 2020</b>
<u>Contract</u> <i>Twining</i>	<b>Contracted</b> <b>€ 800,000</b>	<b>80 %</b>	<b>20%</b>
	<b>Disbursed</b>	<b>€ 640,000</b>	<b>€ 160,000</b>

#### **ANNEX 4: List of Laws and Regulations**

- Law No. 133, dated 29.04.2013 "On Payments Systems"
- Law No.9662, dated 18.12.2006 "On banks in the Republic of Albania" as amended by Law No. 10 481, Dated 17.11.2011;
- Regulation "On capital adequacy ratio" approved by the Supervisory Council Decision No.48, dated 31.07.2013 as amended;
- Regulation "On Regulatory Capital" approved by the Supervisory Council Decision No..69, dated 18.12.2014,as amended;
- Regulation No.71 "On liquidity risk management" approved by the Supervisory Council Decision No. 71 dated 14.10.2009, as amended.