Strategic Plan
2019-2021

Approved on 28 December 2018
Revised on 30 March 2021
CONTENTS

INTRODUCTORY REMARKS BY THE GOVERNOR ........................................................ 1
MANDATE .................................................................................................................. 3
MISSION .................................................................................................................... 5
VISION ....................................................................................................................... 5
VALUES ..................................................................................................................... 5
STRATEGIC GOALS .................................................................................................. 6
STRATEGIC GOAL 1 ................................................................................................. 7
STRATEGIC GOAL 2 ................................................................................................. 9
STRATEGIC GOAL 3 ............................................................................................... 13
STRATEGIC GOAL 4 ............................................................................................... 15
STRATEGIC GOAL 5 ............................................................................................... 17
STRATEGIC GOAL 6 ............................................................................................... 19
STRATEGIC GOAL 7 ............................................................................................... 20
INTRODUCTORY REMARKS BY THE GOVERNOR

Strategic planning is a key element in determining the development of the Central Bank of the Republic of Kosovo (CBK) in the long run. As a result, strategic plan is prepared, which encompasses future priorities, foreseen actions and expected results, all structured according to the main goals for a period of several years. In addition to facilitating the fulfilment of our tasks, the strategic plan also provides long-term critical orientations for achieving our objectives.

The 2019-2021 Strategic Plan covers our major development undertakings over the next three-year period. In drafting this strategic plan, we have conducted a comprehensive review of our development work to date, and we have assessed the relevant challenges for the successful realization of our mandate. This process was reinforced by its effective extension within the entire institution. In addition to the broad involvement of our staff in strategic planning, we also had productive communications with other relevant authorities, financial institutions and the general public.

With the next three-year cycle of strategic planning, we are starting a period of intensifying approximation with the standards and practices prevalent in the central banks of European Union countries. The main challenge during the three-year period will be to ensure that the foreseen strategic goals are achieved by maintaining the financial stability in the country and by strengthening the operation of the financial system in the best interest of clients and the broader economy.

The advancement of policy-making within the CBK and of the support of general economic policies in the country occupies a central position in the Strategic Plan 2019-2021. It is also our strategic commitment to further enhance the regulation of financial institutions and the functioning of financial infrastructures in order to support economic development and European integration of the Republic of Kosovo. At the same time, we will address, in strategic terms, the central bank services we provide and the general relations we cultivate. We have also foreseen the internal advancement and consolidation of the CBK, focusing on financial sustainability and work processes and operations.
Over the next three years, we will be focused on the realization of our strategy, ensuring the fulfilment of our core tasks and responding to changes in the external environment. I would like to seize this opportunity to praise the dedication and commitment of our staff, whose continuous work to fulfil our mandate is crucial to the successful implementation of the Strategic Plan 2019-2021.

The Strategic Plan 2019 is conceptually arranged in two parts. The first part defines the high-level strategy for CBK and it includes our mandate, mission, vision, values, and list of strategic goals, whereas the second part describes each of the strategic goals, identifying relevant actions and sub-actions.

Fehmi Mehmeti
Governor
The Central Bank of the Republic of Kosovo (CBK) is a public legal entity with full competence under the Constitution and the relevant law. CBK is the key participating and regulatory institution in the financial system of the Republic of Kosovo and enjoys administrative, financial and managerial independence and autonomy.

The primary objective of the CBK is to foster and maintain a stable financial system, including a safe, sound and efficient payment system. An additional objective of the CBK, which is subject to its primary objective, is to contribute to achieving and maintaining domestic price stability. Also, without prejudice to the achievement of these objectives, the CBK supports the general economic policies of the Government.

The tasks of the CBK in achieving the determined objectives include:
- determining and implementing financial system stability policy including oversight of a deposit insurance scheme, conducting market operations, and providing emergency liquidity;
- regulating, licensing, registering and supervising financial institutions;
- promoting and overseeing safe, sound and efficient payment, clearing and securities settlement systems;
- providing an appropriate supply of banknotes and coins in Kosovo;
- holding and managing the international reserves;
- collecting and publishing statistics;
- contributing to achieving and maintaining domestic price stability;
- informing the Assembly, Government and the public at large about its policies, tasks and operations;
- acting as banker, financial advisor and fiscal agent for the Government and to any other public bodies and public organizations of Kosovo;
- cooperating with and participating in international councils and organizations concerning matters that are within its fields of competence; and
- carrying out any ancillary activities incidental to the exercise of its tasks.

The CBK activity is provided by its decision-making bodies and its staff. Decision-making bodies of the CBK are the Central Bank Board, the Executive Board and the Governor. The Central Bank Board consists of the Chairperson and three other non-executive members, as well as the Governor, and it is charged with the supervision of implementation of decisions of the CBK.
as well as the supervision of its administration and operations. The Executive Board consists of the Governor and Deputy Governors, and it is charged with the implementation of the decisions of the CBK, as well as its administration and operations. Governor serves as the chief executive officer of the CBK and is in charge of the CBK daily activities, in conducting of which he or she is assisted by the Deputy Governors. The CBK staff is structured into organizational units determined on the basis of specific operational and administrative activities.
MISSION

Our mission is to ensure financial and monetary stability, to provide an effective payment system and an adequate supply of cash, and to support a sustainable economic development in the Republic of Kosovo.

VISION

Our vision is to be among the most efficient and effective central banks, as well as to be a meritorious institution in the attainment of the European integration and the international affirmation of the Republic of Kosovo.

VALUES

Our values are reflected in all specific areas of the CBK. These values are embodied in the attitude and work of the staff and provide guidance in setting priorities, making decisions, carrying out tasks, building external relations, and cultivating interpersonal relations in the CBK. Our values are:

- **Promotion of public interest** - We work for the good of the country and its citizens.
- **Transparency and accountability** - We ensure transparency and accountability for all our activities.
- **Integrity and ethics** - We fulfil all our duties with the highest integrity and ethics.
- **Quality and commitment** - We maintain a culture of individual and team commitment to qualitative and timely performance of our duties.
- **Staff development** - We support continuous professional development of all our staff.
STRATEGIC GOALS

In line with our mission and vision, seven strategic goals have been determined, which express the focus of major developments of the CBK over the next three years. The determined strategic goals are in the function of promoting and maintaining the stability of the financial system as well as of supporting the overall progress of the economy. The determined strategic goals are:

1. **Strengthening of the conceptual and empirical basis for policy-making and policy communication**;

2. **Advancement of licensing, regulation and supervision of financial institutions**;

3. **Increase of the stability of the national payment system and promotion of the development of financial markets**;

4. **Efficient and effective delivery of central bank services to financial institutions and public authorities**;

5. **Development of external communication and cooperation, intensification of the financial education of citizens and increase of the protection for clients of financial institutions**;

6. **Advancement of the financial sustainability of the CBK in the long run**;

7. **Further modernization of work processes and operations in the CBK**.
STRATEGIC GOAL 1

Strengthening of the conceptual and empirical basis for policy-making and policy communication

Determining and implementing the policies for a stable financial system is one of CBK’s main tasks in meeting the objectives stipulated by law. The policies prepared by CBK staff are approved by the Executive Board, while their implementation is supervised by the Central Bank Board. In view of advancing the policy-making, including the aspect of communication, CBK’s strategic goal over the next three-year period is to strengthen the relevant conceptual and empirical basis.

CBK will strengthen the conceptual and empirical basis for policy-making and policy communication by taking the following strategic actions and sub-actions.

1. Advancement and calibration of policy models and instruments:
   a. Development of macroprudential policy and operationalization of macroprudential instruments;
   b. Full operationalization of the country’s macroeconomic model and updating of the database;
   c. Expansion of the base of indicators (and projections) of the real sector and the financial sector for more adequate risk assessment.
   d. Integration of the process of preparation of stress test analysis at the institutional level and advancement of the model towards macroprudential stress test.

2. Expanding and deepening of economic analyses and research in support of policy-making:
   a. Increase of the volume of research analyses on macroeconomic developments in the country;
   b. Further advancement of the Financial Stability Report, with a focus on adding indicators of specific sectors and on greater inclusion of expectations about future developments;
c. Analysing of data gaps and addressing them;
d. Strengthening of the cooperation with local and international institutions in assessing the economic and financial developments.

3. **Strengthening of the compilation and dissemination of financial and external sector statistics for decision-making:**

   a. Regular compilation and publication of financial and external sector statistics, in accordance with the latest international standards;
   b. Convergence and harmonization with European Union legislation and methodology and development of regular reporting to Eurostat of external sector statistics;
   c. Advancement of cooperation, through a memorandum of understanding, among the CBK, the Kosovo Agency of Statistics and the Ministry of Finance on the compilation of macroeconomic statistics;
   d. Implementation of new international standards in the field of statistics;
   e. Establishment of a new platform for online reporting;
   f. Implementation of modern statistical technical applications in the context of more advanced compilation and validation of published statistics;
   g. Compilation of statistics on financial accounts and international reserves, as well as further increase of new statistical products;
   h. Increase of the cooperation with local and international institutions;
   i. Compilation and publication of the policy on revision of statistical data;
   j. Increase of the transparency of monetary and financial statistics and external sector statistics for decision-making through the implementation of standards for the dissemination of statistics developed by the International Monetary Fund.
The field of licensing/registration, regulation and supervision of financial institutions is crucial in the exercise of CBK’s activities in accordance with the Law on Central Bank and other laws on the financial system of the Republic of Kosovo. CBK has the powers of the financial authority not only for banks but also for the institutions of the insurance sector, the pension sector and other financial sectors. Further development of licensing, regulation and supervision functions in accordance with best European and international standards and practices will be on the focus of CBK commitments.

CBK will continuously advance the licensing, regulation and supervision of financial institutions by performing the following strategic actions and sub-actions.

1. **Advancement of licensing policies and procedures:**
   a. Advancement of bank licensing policies and procedures;
   b. Advancement of microfinance institution and non-bank financial institution licensing policies and procedures;
   c. Initiation of the drafting of special licensing policies and procedures for investment companies of different types;
   d. Development of special licensing policies and procedures for hybrid institutions and FinTech;
   e. Initiation of the drafting of licensing policies and procedures for pension funds of different types.

2. **Advancement of the regulatory and legal framework for supervision:**
   a. Review and supplementation of bank supervision regulations;
b. Review and supplementation of microfinance institution and non-bank financial institution supervision regulations;
c. Preparation of the relevant legislation for investment companies;
d. Completion of secondary legislation for institutions in the field of insurance;
e. Initiation and contribution to the review and supplementation of the Law on Pension Funds;
f. Review and supplementation of the regulatory framework for pension funds.

3. **Alignment with international standards and implementation of best supervisory practices:**
   
a. Alignment of the banking regulatory framework with Basel Framework and best practices of other countries;
b. Alignment of the regulatory framework and supervisory functions of the CBK with EU acts for bank recovery, resolution and liquidation;
c. Advancement of cooperation with supervisory authorities in the region and beyond;
d. More advanced cooperation with the European Central Bank on joint examinations within the Single Supervisory Mechanism;
e. Ensuring of the use of single financial statements of clients by credit-providing institutions;
f. Implementation of the system of early warning indicators in the banking sector;
g. Full implementation of the international financial reporting standard for accounting for financial instruments in the banking sector;
h. Continuation of progress towards the implementation of specific Basel standards;
i. Alignment of the insurance regulatory framework with Solvency II Framework and best practices of other countries;
j. Advancement of compliance with Insurance Core Principles;
k. Moving to a risk-based supervision system in the insurance sector;
l. Liberalization of compulsory third party liability insurance fees;
m. Qualitative improvement of insurance industry stress tests;
n. Development of specific methodologies in relation to preventing and addressing challenges of institutions with unsatisfactory performance in the insurance sector;
o. Increase of the level of cooperation with the Kosovo Insurance Bureau and the Insurance Association of Kosovo to strengthen the framework for a stable and sound insurance sector;
p. Promotion of and contribution to awareness of the provision of "annual pension" product through annuity contract for Kosovo citizens;
q. Liberalization of the pension market, namely the second pension pillar (mandatory individual pension savings);
r. Preparation and implementation of an instruction on alternative investment risk management for supplementary pension funds, in accordance with the acts of the International Organization of Pension Supervisors and of the European Union;
s. Procedural advancement of the practice of reviewing financial institution requests;
t. Strengthening of the dialogue and cooperation with relevant financial institutions;
u. Strengthening of the coordination of supervisory activities with relevant units within the CBK;
v. Publication of periodic reports on financial supervision activities.

4. **Further development of supervision focused on preventing money laundering and combating terrorist financing:**

a. Building of human and technical capacities within the CBK;
b. Issuance of necessary sub-legal acts for the implementation of relevant legislation;
c. Expansion and deepening of the supervision and control;
d. Increase of the cooperation with banks and other financial institutions;
e. Increase of the cooperation with relevant national and international institutions.
5. **Further enhancement of specific analytical and monitoring aspects of banking supervision**

   a. Integration of stress test exercises with the financial stability area and communication of the results to banks;
   b. Establishment of supervisory procedures applicable during periods of stress and conduct of periodic tests on the operational procedures for granting emergency liquidity assistance;
   c. Improvement of offsite monitoring tools for a better comprehension of banks’ exposure to liquidity risk;
   d. Harmonization of the reporting of financial soundness indicators and advancement of relevant methodology.

6. **Advancement of special supervisory areas in the insurance industry**

   a. Updating of the premium rate pricing of the mandatory insurance and developing a process for its regular review;
   b. Assessing of the viability of current practice of the payment for claims in relation to uninsured parties;
   c. Enhancing of the supervision of the market conduct of insurance companies;
   d. Development of a framework of escalating supervisory actions in the insurance sector;
   e. Reconsideration of the supervisory crisis management processes for the insurance industry.
STRATEGIC GOAL 3

Increase of the stability of the national payment system and promotion of the development of financial markets

The CBK’s active role in the national payment system is defined by the Law on the Central Bank and the Law on the Payment System. Under the leadership of the CBK, a modern payment system with a stimulating potential for economic growth and European integration of the Republic of Kosovo was built. CBK will continue to be involved in the further development of the national payment system, both as a participant and as a regulator. At the same time, CBK will support initiatives and projects for the development of financial markets in the country.

In order to increase the stability of the payment system and to stimulate the development of financial markets, CBK will be oriented towards the implementation of the following strategic actions and sub-actions.

1. Regulatory development of payment and settlement systems:
   a. Review and supplementation of the payment system oversight framework in accordance with the principles of the Bank for International Settlements and the European Central Bank, as well as the assessment of existing systems for compliance;
   b. Preparation of secondary legislation for licensing payment system operators and for regulating the e-money instrument in compliance with the Law on Payment System and relevant acts of the European Union;
   c. Advancement of CBK's role as a catalyst for progress in the field of payments in the Republic of Kosovo by expanding the composition of the National Payments Council and enhancing cooperation among relevant stakeholders;
   d. Increase of security and efficiency of payment instruments through harmonization of the legal framework for payment services in accordance with the relevant acts of the European Union;
   e. Acting as a driving force in implementing a national interbank system of retail payments to enable card payments and instant payments,
providing interoperability between card issuers and execution of instant payments via mobile devices;
f. Preparation of a national strategy for further advancement and modernization of retail payments, in cooperation with all participants in the field of payments in Kosovo.

2. **Promotion of the development of financial markets:**

   a. Expansion of the content of publications on the financial system for more complete information of relevant stakeholders;
   b. Promotion of the financial system to attract the entry of new competitors;
   c. Contribution to the drafting of relevant legislation on securities and the capital market;
   d. Support of development projects in accordance with relevant legislation;
   e. Active participation in local and regional initiatives for the development of the capital market.
STRATEGIC GOAL 4

Efficient and effective delivery of central bank services to financial institutions and public authorities

Under the law, the CBK provides banking services to both financial institutions and public authorities. The increase of the level of these services is important not only for the CBK’s journey towards adopting European standards and practices in its activity but also for the development of financial institutions and public authorities that use these services. In this context, the CBK acts as an initiating and driving force for continuous improvement of financial practices and infrastructures in the economy of the Republic of Kosovo.

For the purpose of increasing the efficiency and effectiveness of the services provided, the CBK will undertake the strategic actions and sub-actions listed below.

1. Advancement of the cash circulation practice and framework:
   a. Improvement of the quality of banknotes in circulation by increasing the efficiency and capacity in processing activity;
   b. Further advancement in the processing of cash;
   c. Strengthening of physical security measures for monetary values under administration in accordance with the best practices in the area;
   d. Following-up and updating of the regulatory framework in relation to the best developments in the euro area.

2. Increase of the quality of local and international payment services:
   a. Development of practices and standards of communication with relevant institutions inside and outside the country;
   b. Review and supplementation of the regulatory framework for payment services and account services.
3. **Development of government securities market operations:**

   a. Development of government securities auctions;
   b. Advancement of the securities system in order to develop the market through repurchase agreements;
   c. Increase of the cooperation with the Ministry of Finance, primary stakeholders and primary participants.

4. **Advancement of the credit registry system and regulation in conformity with contemporary developments:**

   a. Inter-institutional cooperation with public authorities to ensure the necessary legislative changes are undertaken and to meet the national objectives of facilitating and increasing access to finance;
   b. Following-up of relevant developments in the international arena and their inclusion in the local regulation and system;
   c. Focusing on fulfilling the World Bank's recommendations to be in line with best practices and in trend with the developments in the credit reporting segment;
   d. Evaluation of development trends in the credit reporting segment;
   e. Continual improvement of the handling of requests from reporters and users of credit information.

5. **Development of the regulation and functionality of the bank account registry in accordance with best practices:**

   a. Review and supplementation of the regulation on bank account registry to meet the needs of participants;
   b. Development of additional services for participants in the bank account registry.
STRATEGIC GOAL 5

Development of external communication and cooperation, intensification of the financial education of citizens and increase of the protection for clients of financial institutions

External communication and cooperation is essential for carrying out tasks and meeting objectives of the CBK. It includes not only CBK’s relations with local stakeholders in the country’s financial system but also the relations with European Union institutions and international organizations relevant to the scope of the activity of the CBK. External communication and cooperation play a key role in adopting contemporary standards and practices in the European integration process. Closely related to external communication and cooperation are the financial education of the public and protection of the users of financial services.

In the next three years, the CBK will develop its external communication and cooperation as well as advance the financial education of citizens and the protection of clients of financial institutions by carrying out the following strategic actions and sub-actions.

1. Expansion and deepening of external relations:
   a. Continuous promotion of sound development of the financial system in the Republic of Kosovo;
   b. Development of communication with media and the general public in order to promote the CBK activity;
   c. Reorganization and enhancement of CBK activity in the field of European integration and international relations;
   d. Advancement of participation in international associations and organizations.
2. Advancement of the financial education function:
   
a. Further development of financial education activities in order to create a sound financial culture that helps all stakeholders to make right decisions;
b. Functionalization of the Education and Training Centre;
c. Establishment and promotion of the Central Bank Museum.

3. Increase of the level of protection of users of financial services:
   
a. Advancement of the regulatory framework in the area of protection of users of financial services and harmonization of local regulations with European directives;
b. Review and supplementation of the internal rule on complaint handling;
c. Advancement of the CBK's role in the field of protection and education of users of financial services by conducting examinations of financial institutions with a focus on the transparency of contractual terms and the business conduct.
Advancement of the financial sustainability of the CBK in the long run

As an institution with financial autonomy, the CBK exercises its activity in a sustainable and accountable manner. The CBK ensures its financial sustainability according to the Law on Central Bank, prioritizing the safeguarding and security of placed investment assets and rationalizing the financial arrangements for performing legal duties and for implementing development projects. Both investment asset management and overall financial management are based on international principles and standards and are subject to continuous advancement.

To further advance its financial sustainability in the long run, the CBK will undertake the following strategic actions and sub-actions.

1. **Enhancement of asset management policy and practices:**
   a. Review and supplementation of investment policy in accordance with contemporary circumstances;
   b. Cooperation with commercial banks and central banks in the European Union and the United States of America;
   c. Compliance with the rules and requirements of acts of the European Union on portfolio management and trade;
   d. Participation in international programs of asset management such as those of the World Bank and central banks of the euro area;
   e. Diversification into new financial instruments and optimal placement in different currencies.

2. **Development of financial management practices and standards:**
   a. Advancement of the system of financial reporting and financial records;
   b. Advancement of internal financial analyses;
   c. Advancement of the system of internal controls;
   d. Advancement of the process of budget drafting and implementation;
   e. Advancement of the cost accounting model.
STRATEGIC GOAL 7

Further modernization of work processes and operations in the CBK

The CBK's work processes and operations are structured according to widely accepted principles and practices in the world. The CBK is committed to the continuous modernization of work processes and operations in order to increase work effectiveness and efficiency. In particular, the CBK attaches importance to developments in the governance framework, human resources, general administration and information technology. In addition, risk management and internal audit are also in the focus of development undertaking concerning internal functions.

To further modernize the CBK's processes and operations, the following strategic actions and sub-actions will be undertaken.

1. Advancement of internal governance framework and practices:
   a. Review and improvement of internal rules;
   b. Advancement of the process of preparation of legal acts proposals;
   c. Exploration of opportunities to improve work processes or to develop new work processes.

2. Development of professional staff capacities:
   a. Upgrading of the human resources management system;
   b. Review of human resources policies and procedures;
   c. Advancement of staff training and development in line with CBK objectives and long-term staff development plans.

3. Development of general administration practices:
   a. Improvement of working conditions and identifying possibilities for the necessary expansion of workspaces;
b. Advancement of the Information Management System and digital archiving in conformity with the standards of the central banks of European Union countries;
c. Implementation of a procurement software and full digitalization of procurement activities.

4. **Advancement of technology and security of information systems:**
   a. Development of information technology infrastructure in accordance with general industry developments;
   b. Reorganization of the Department of Information Technology in order to improve services;
   c. Establishment of a Security Operations Centre within the Division of Business Continuity and Information Security;
   d. Implementation of the standard framework for management of information technology services.

5. **Development of risk management function:**
   a. Advancement of the framework of risk management rules and the methodology for identifying, assessing, monitoring and controlling risks;
   b. Expansion of the scope of risk management;
   c. Development of risk management activities as a second line of defence;
   d. Advancement of the risk management culture by integrating the comprehensive risk management approach.

6. **Advancement of the internal audit function:**
   a. Development of the role of internal audit in accordance with best practices and international standards;
   b. Strengthening of human and technical capacities of the Department of Internal Audit;
   c. Involvement of internal audit in advanced counselling services.