

NATIONAL BANK OF THE REPUBLIC OF MACEDONIA



Strategic Plan of the National Bank of the Republic of Macedonia for the period 2014-2016

May, 2013

Pursuant to Article 47 paragraph 1 item 9 of the Law on the National Bank of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia" no. 158/2010) and item 12 paragraph 6 of the Planning Regulation Reg. no. 02-15/II-1/2012 dated February 28, 2012, the National Bank of the Republic of Macedonia Council adopted the following

Strategic Plan of the National Bank of the Republic of Macedonia for the period 2014-2016

I. General Provisions

1. Strategic Plan of the National Bank of Macedonia (hereinafter: National Bank) is an initial document in the process of strategic planning and provides strategic vision of the National Bank for the next three years.
2. The Strategic Plan of the National Bank is revised each year and constitutes the basis for development of National Bank's Operating Guidelines and the National Bank's Plan of Activities as documents that underlie the annual programs for achievement of objectives, monitoring of their implementation and taking of timely appropriate measures.
3. The Strategic Plan of the National Bank ensures complementary of plans of the organizational units in order to effectively carry out the objectives and sets priority for the use of available resources.
4. The Strategic Plan of the National Bank establishes the mission, vision, organizational values and strategic goals of the National Bank, taking into account the macroeconomic environment and the key challenges for the future.

Strategic objectives, for the purposes of this Strategic Plan, are divided into primary strategic objectives and strategic objectives that contribute to achieving primary strategic objectives.

II. Mission

5. The mission of the National Bank is to maintain price stability and financial stability and to contribute to the increase of economic well-being and living standards of citizens.

III. Vision

6. The vision of the National Bank is to be recognized as an independent, responsible, professional and transparent institution that enjoys high credibility and public confidence.

IV. Values

7. In the achievement of strategic objectives, the National Bank will continue to nurture and maintain the following values:
 - a. Quality - achieving the goals and expectations of employees and of domestic and foreign legal entities and natural persons through continuous improvement of working standards in accordance with international best practices;
 - b. Integrity - ensuring consistency, accuracy and honesty in accomplishing the objectives and activities;
 - c. Loyalty - giving priority to the fulfillment of interests of the National Bank compared to interests of individuals or groups, and commitment to the achievement of organization's mission, vision and strategic goals;
 - d. Transparency - ensuring timely and transparent information to employees and domestic and foreign legal entities and natural persons on decisions and measures of the National Bank;
 - e. Leadership - relying on healthy ambition, intellect and self-discipline built on mutual trust of employees;
 - f. Innovation - stimulating innovation, sustainable improvement and critical thinking;
 - g. Professionalism - sound assessments and high intellectual capacity;
 - h. Team spirit - providing synergy and culture of knowledge sharing and teamwork.

V. Macroeconomic surrounding and key challenges

8. The global economic and financial crisis is the key external factor, which, same as in the recent years, is expected to have the greatest influence on the setup of the National Bank's operations in the next three years. Notably, despite the gradual stabilization of economies and the reduced "stress" of financial markets after the implementation of fiscal and monetary measures, risks have still been clouding the global environment. The global economic recovery remains uncertain, given the vulnerability of financial sector and public finance, as well as the process of financial deleverage in most European countries. Domestic economic environment is expected to remain relatively stable with no major economic imbalances, but with inherent risks, largely influenced by trends in the external environment.

The recent experience with "global recession" marks out the future steps that would mean applying the "lessons learned" from the last crisis in the system of analyses, the technical infrastructure of modeling and designing and in the decision making process. Financial and economic crisis in the developed economies and debt crisis in the euro zone, have significantly changed the monetary policy environment. Against this background, central banks worldwide were primarily focused on financial stability and promoting

economic growth. Provision of liquidity to the economy and strengthening the regulatory and supervisory standards marked the crisis and post-crisis period. Against the backdrop of limited impact of traditional channel of transmission of monetary policy signals and low interest rates (near zero) central banks of developed countries applied and have still been applying extensive non-standard quantitative measures, while central banks in developing countries have relied on conventional instruments in the relaxation of monetary policy, but have recently switched to unconventional targeted measures to boost credit growth. In this light, if there are no risks to meet the primary objective, low and stable inflation rate and the secondary objective - stable financial system, the NBRM monetary policy will seek to further encourage lending support to economic entities. Thus, in addition to regular instruments, there are still possibilities for expanding the non-standard monetary policy measures. However, the high degree of volatility on international financial markets, uncertainty about future inflows of foreign capital in the domestic economy and the low risk-tolerance threshold of banks, with structural excess liquidity in the system, will determine the monetary policy in future period. Concerning foreign reserve management, the increased credit and market risks and the reduction of proceeds of the safest instruments at historic lows create a need for further diversification of investments in terms of issuers, currencies and instruments.

The recent financial crisis requires new regulatory mechanisms for maintenance of global stability. Adapting to new international standards is yet another challenge to the improvement of the National Bank functions.

VI. National Bank's strategic objectives

9. Primary strategic objectives are given below:
 - 9.1. In the next three years, the National Bank will continue seeking to successfully maintain price stability through the implementation of the chosen monetary strategy of maintaining a stable exchange rate of the Denar against the Euro.
 - 9.2. The National Bank will also continue contributing to maintain a safe and sound banking system, as a fundamental prerequisite for financial stability.
 - 9.3. The National Bank will also continue supporting the general economic policy without jeopardizing the achievement and maintenance of price stability as a primary objective, in accordance with the principle of an open market economy with free competition.
10. Strategic objectives depending on the area of operations of the National Bank are as follows:

10.5. Establishment and implementation of monetary policy and support of financial markets

- Development of timely and high-quality macroeconomic projections and analyses in support of the monetary policy decision-making;
- Adjustment of the operational framework of monetary policy in accordance with market conditions and economic trends;
- Support of financial market development in terms of efficient monetary policy transmission and increased financial intermediation;
- Influence on economic agents' expectations for effective transmission of monetary policy by publishing regular NBRM reports presenting clear views on future economic trends and information.

10.6. Management of the foreign reserves of the Republic of Macedonia

- Improving foreign reserves management and maintaining high management flexibility relying upon the safety, liquidity and profitability principles;
- Diversification of foreign reserves in terms of issuers, currencies and instruments for managing credit risk, liquidity risk, currency risk and interest rate risk.

10.7. Financial stability

- Continuous improvement of banking regulation taking into account the new Basel principles for effective banking supervision;
- Further improvement of the bank and savings house supervision, taking into account the new Basel principles for effective banking supervision;
- More comprehensive financial stability analyses;
- Expansion of cooperation with other supervisory authorities, the Deposit Insurance Fund and the Ministry of Finance.

10.8. Treasury operations

- Increase of efficiency of banknote and coin supply and processing of system,
- Increase of quality and functionality of currency in circulation

10.9. Payment systems

- Maintaining highest level of payment systems security, stability and efficiency;
- Gradual implementation of international and European standards and rules for payment, clearing and settlement systems operation in the country;
- Improving the existing framework for monitoring and oversight of payment systems.

10.10. Statistics

- Introducing new and coordination of existing statistics within the National Bank's responsibility with international standards and their adaptation to the

European Union requirements and increasing the volume and thoroughness of data that are submitted to the European institutions.

10.11. Studies and research in the field of economics and finance

- Developing research works in areas that are crucial for effective attainment of the National Bank's objectives.

10.12. Information technology

- Improving information systems in the National Bank in accordance with the best international IT services management practices.

10.13. Internal Audit

- Maintaining full compliance of the operations of Internal Audit Department with the Standards for the Professional Practice of Internal Auditing;
- Improving quality of audit and advisory activities;
- Enhancing internal self-assessment process of the Internal Audit Department.

10.14. General management

- Developing and improving strategic planning as a basis for medium-term operational vision in order to improve corporate governance and institutional structure and organization;
- Effective risk management and strengthening the resilience to changes imposed by the environment;
- Establishing an integrated and efficient finance management system of the National Bank;
- Strengthening the human resource management;
- Preparing the National Bank for joining and becoming a member of the European System of Central Banks, by gradual strengthening of administrative capacities and participation in government reforms to fulfill the obligations arising from the membership of the Republic of Macedonia in the European Union;
- Improving legislation in order to minimize legal risks to the achievement of objectives and performance of the National Bank tasks and monitoring compliance of the National Bank regulations with the legislation in the country and the European Union;
- Ensuring optimal working conditions within the natural environment in accordance with business requirements and needs of the National Bank;
- Improving readiness for crisis management in terms of protecting people, material goods and key data and information, and establishing conditions for normal performance of business processes within a reasonable time frame;
- Increasing operational transparency, expansion of communication with the public and further development of financial education;
- Developing the museum, library and historical archives.

VII. Transitional and closing provisions

11. Strategic Plan of the National Bank of the Republic of Macedonia for the period 2014-2016 shall enter into force on the date of adoption and shall apply from 1 January 2014.
12. The Strategic Plan of the National Bank of the Republic of Macedonia for the period 2013-2015 shall be rescinded on 1 January, 2014.

No. ____/____/2013
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Skopje

Dimitar Bogov
Governor

Chairman
of the National Bank
of the Republic of Macedonia Council