

**National Bank of the Republic of Macedonia**



**STRATEGIC PLAN  
OF THE NATIONAL BANK OF THE REPUBLIC OF MACEDONIA  
FOR THE PERIOD 2017-2019**

May 2016



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. 158/10, 123/12, 43/14, 153/15 and 6/16), and Article 12 paragraph 3 of the Rulebook for Strategic and Operational Planning Reg.No. 02-15/I-1/2016 of 28 January 2016, 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 2017-2019**

**I. GENERAL PROVISIONS**

1. The Strategic Plan of the National Bank of the Republic of Macedonia (hereinafter: National Bank) is determined on the basis of the mission, the vision and the organizational values of the National Bank, according to the macroeconomic environment and key challenges and contains the main strategic goals for the next three years.
2. The Strategic Plan is revised annually and constitutes the basis for preparation of the Plan of Activities, which underlie the annual programs for achievement of strategic goals.

The Strategic Plan includes the following annexes:

- Projected balance sheet for the current year and the next 3 (three) years;
- Three-year plan of operating costs; and
- Three-year framework of planned investments.

**II. MANDATE AND RESPONSIBILITIES**

3. The main objectives of the National Bank are set out in the Law on the National Bank, according to which the main objective of the National Bank is achieving and maintaining price stability. Another objective, subordinate to the main objective, is to contribute to maintain a stable, competitive and market-oriented financial system, while the third objective is to support the general economic policy without jeopardizing the achievement of the main objective and in accordance with the principle of open market economy with free competition.

**III. MISSION, VISION AND VALUES**

4. The mission arises from the statutory objectives and expresses the commitment of the National Bank to the maintaining of price stability through the implementation of the adopted monetary strategy of maintaining a stable exchange rate of the denar against the euro. Also, the National Bank will continue to contribute to maintaining financial stability and increasing economic prosperity and living standards of citizens.

5. 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.

6. The values of the National Bank are developed and built by employees in collaboration with the management and are perceived in the decision-making, setting priorities, daily operations and operational performance of goals and tasks, by strengthening the organizational culture, increasing the operating effectiveness, regulation of mutual relations of employees, developing responsibility and awareness of the work obligations and by creating a supportive environment.

#### **IV. NATIONAL BANK'S STRATEGIC OBJECTIVES**

7. In the following three-year period, the National Bank is going to be focused on attaining the following strategic objectives:

##### Strategic objective 1

- **Maintaining price stability through a stable exchange rate of the denar against the euro.**

The environment in which this objective is going to be accomplished in the following three years is assessed as a period of further recovery from the "great recession" and normalization of the total flows. Despite the gradual stabilization of the economic and financial flows, the economic recovery globally remains uncertain. This conclusion refers also to the euro area, as our important economic partner, where the risk of prolonged slow economic growth, although reduced with the latest measures taken by the European Central Bank, remains in place. Also, the instable conditions on the global financial markets are pronounced, with the poorer economic performance in the emerging economies also being a significant global risk. The risks associated with the prices of primary products, whose dynamics in the past period is variable, are still present. In the recent period, geopolitical risks are more pronounced, while some of them resulted in a refugee crisis, which affected economy, as well. The threat of terrorism, globally, also became more evident. Despite the uncertain external environment, the turbulent domestic political context is also a factor that can greatly influence the environment and the achievement of the strategic objectives of the National Bank.

The successful realization of the objective of maintaining price stability means managing solid analytical infrastructure. Hence, the process of adopting monetary measures for attainment of this objective is based on preparation of timely and high quality macroeconomic projections, analyses and quality regular reports with clear perspectives for the future economic developments. The following three-year period will be focused on further quality improvement of the projection process and policies analysis, by advancing the current portfolio of models, as well as by its enhancement with new models and new more sophisticated techniques. The process of monetary decision-making will be underpinned by the macroeconomic analyses focused on the potential weaknesses in the domestic economy. The improvement in the contents and manner of presentation of the framework used for forecasting within regular reports will take place in continuity, focusing on medium-term trends of the macroeconomic variables, their monetary impact and key risks. Higher transparency would improve the understanding of the manner of monetary decisions and the reasons for the adopted monetary decisions by economic agents and would act on their future expectations.

The impact on the expectations of economic agents would increase the effectiveness of monetary transmission.

Given the macroeconomic environment, the National Bank will continue to properly manage monetary instruments in a way that will ensure efficient liquidity management of the banking system and maintain the balance of the foreign exchange market, thereby, maintaining a stable value of the exchange rate. Having in mind the present uncertainty, the monetary policy conduct in the coming period will be directed towards early recognition of risks and prompt and effective response through monetary instruments in order to insure the successful fulfillment of monetary goals. The maintenance of stable denar exchange rate against the euro remains the top priority of the National Bank, which it will be successfully implemented also in the next period, for the purpose of which it disposes an adequate level of foreign reserves and efficient monetary instruments. In the following period, the National Bank will continue with the active promotion of denar savings, i.e. it will continue to carry out measures that will encourage banks to develop deposit products that stimulate savings in domestic currency. Thus the National Bank will continue to support the process of de-urization of the domestic economy in recent years, in part due to the adopted monetary measures.

#### Strategic objective 2

- **Maintaining a stable and reliable banking system as the main prerequisite for financial stability and sustainable economic growth of the country.**

The environment in which this strategic goal is going to be accomplished in the next three years is seen as a period of stabilization of the flows in the economy and in the banking sector, caused by the ongoing economic crisis and prolonged weak economic performance in the European Union. Satisfactory capitalization and liquidity are expected to remain the main strengths of the banking system in the country. The managing of the troubled loan portfolios, as well as generating satisfactory and sustainable bank profitability will be significant challenges. The bank competitiveness is expected to intensify, especially on the households market. The implementation of the new regulation framework for payment services is expected to result in emergence of new payment institutions on the financial market other than banks. Thus, competition between them will be substantially enhanced, leading to the offer of new, quality and cheaper financial services to customers. In the conditions of still low interest rates, in search of higher yields, it is expected the medium-size banks to increase the offer of new more complex financial products. The bank transparency in offering financial services from the aspect of both, price and quality is also expected to improve.

The banks will be further confronted with the challenge of applying the extensive and complex regulations known as Basel III, primarily the new capital standards and liquidity ratios, as well as International Financial Reporting Standards (IFRS 9), especially in the area of credit risk management. Exactly the new regulatory environment, as well as the increased competition among banks, should be an additional incentive not only for faster consolidation of the banking system, but the ownership changes, as well.

Financial stability in the country will be influenced by the performance of the non-banking financial sector, primarily pension funds and insurance companies, which in recent years become more and more important at the financial market. Hence, the regular risk assessment in individual segments, as well as the possible spillover of risks from one to another segment of the financial system, are crucial to maintain its stability.

In the following medium-term period, the National Bank will be directed towards further maintenance of safety and soundness of the banking system, and thus financial stability, through regular supervision of bank operations and other financial institutions, further strengthening of the supervisory capacity for monitoring and assessment of the

manner of risk management in banks, as well as capital requirements of banks depending on the banks' aggregate risk profile. Furthermore, the process of harmonization of banking supervision with the regulatory framework with the new Basel Principles for Effective Banking Supervision will continue, a new banking directive will be established by adopting a new law on banks (credit institutions), implementation of the new regulatory framework for payment services will commence the regulatory and institutional framework for resolving problem banks will be improved. In the area of financial stability, it will be worked on further strengthening of the analytical and research work.

The entire process will be supported by widening of the cooperation with the domestic and foreign supervisory bodies. Within the activities of the Vienna Initiative it is very important to establish a mechanism for cooperation with the European Central Bank, which should contribute to a smooth supervision of some of the euro area banking groups that are present in the country.

### Strategic objective 3

#### **- Efficient management of the foreign reserves of the Republic of Macedonia relying on the optimal balance of the principles of safety, liquidity and return on investment.**

Foreign reserves will be managed in line with the domestic and international conditions, by respecting the principles of safety, liquidity and profitability. In this context, in order to provide an optimum balance between returns and risk of investment, it is planned to adjust the investment strategy towards increasing the investments in financial instruments and currencies with positive yields and more stable economic perspectives. The National Bank will continue to further strengthen the institutional capacity for managing foreign reserves by participating in the Reserves Management and Advisory Program (RAMP), which envisages activities for further improvement in the foreign reserves management and investment processes, improvement in the risk management in foreign reserve management in accordance with the best practices recommended by the World Bank, improved efficiency through implementation of new trade strategies, ensuring technical assistance, exchange of experience and constant trainings of employees from the organizational units that are included in the process of managing and investing foreign reserves.

### Strategic objective 4

#### **- Supporting the development of domestic financial markets.**

In the following medium-term period, as well, the National Bank will continue to actively participate in and support the development of domestic financial markets by engaging in activities for implementing the European regulatory framework in the regulation of the domestic financial markets, improvement of the market infrastructure and support the development of new financial instruments, which will contribute to increase the efficiency of the domestic financial markets. In this regard, it envisages a review of the regulations related to electronic trading platforms in accordance with the guidelines of the planned legislative changes pertaining to trading in financial instruments. The infrastructural framework that includes the trade and settlement of transactions with financial instruments aimed at greater efficiency and transparency, will also be reviewed. The focus of the activities of the National Bank in this area will be to promote derivative products for protection against interest rate risk, which will enrich the range of instruments to manage market risks in terms of gradually abandoning the bank practice to use adjustable interest

rates. In this regard, it is envisaged to set up a new market index tied to the interest rates derivative (interest rate swap indexed to a overnight indexed swap), based on bank listings, which will contribute to increase the information about market expectations. Thus, it is expected to increase the information set of data on market participants, even initially, when the trading with these products would be of lower intensity.

#### Strategic objective 5

- **Increasing the efficiency of the system of supplying and processing of banknotes and coins and increasing the quality and functionality of currency in circulation.**

In terms of liberalization on the cash services market through incentives and creating competitive conditions, the efforts to further harmonize the bylaws regulating cash operations with safety and security and technical and technological standards applied in EU countries will continue. At the same time, in order to monitor the implementation of the prescribed standards and criteria for maintaining the quality of currency in circulation, efforts should be put in further development and enhancement of the National Bank control function and intensified trainings of bank and cash centers' employees.

At the same time, the research activities for perceiving new techniques and technologies for printing and minting coins, the highest achievements in the field of safety protection of money and possibilities for their application in current or modified design of the banknotes and coins will intensify.

#### Strategic objective 6

- **Maintaining the highest degree of reliability, stability and efficiency of domestic payment systems and providing conditions for cross-border payment systems connectivity.**

A key challenge is the adoption of a new regulatory framework in accordance with the European Union, which is expected to contribute to the emergence of new payment instruments, payment institutions and payment systems in the country and to increase the competitiveness, efficiency, transparency and protection of the users of payment services. Simultaneously, the activities for operationalization of the international euro payments system through the Macedonian Interbank Payment System (MIPS) of the National Bank within which the MIPS system will connect to TARGET 2 system<sup>1</sup>, thus ensuring lower international payments costs, for both the National Bank and the commercial banks which will be connected through this channel, will continue. Gradual harmonization of the conditions for executing payments in the country and the international payments is expected. In the following medium run period, the National Bank will pursue developing the back-office operations in line with the practice and operating standards of the European Central Bank, and the activities for improvement of the supervisory role of the National Bank in the payment systems operating area.

---

<sup>1</sup> Payment system for settlement in euros in real time on gross basis operated by the Eurosystem.

#### Strategic objective 7

- **Development of the research activity in the areas that are crucial for the efficient attainment of the National Bank's objectives.**

The monetary policy conduct in a highly open economy, which is undergoing a process of structural reform, is a relatively complex process. Hence, for conducting effective monetary policy it is necessary to make numerous researches in order to better understand the monetary transmission, the real economy, the macro financial relations and other areas which are crucial for efficient setting and implementation of the monetary policy. The further development of the econometric tools will be a basis for further development of the researches.

#### Strategic objective 8

- **Providing quality statistical data, fully consistent with international and European statistical standards, taking into account the reporting burden and their effective, timely and easy dissemination to users.**

As for the statistics area, in the post crisis period, the awareness for the significance of the quality detailed and timely macroeconomic statistical data when considering and taking measures by the creators of the economic policies, increased. The need of easier access to these data to the public is also evident. In addition, having in mind the upward trend of the trade and financial integration of the Republic of Macedonia in the global economic flows, as well as the strategic commitment for EU membership, the challenges mainly relate to the implementation of the international statistical standards and gradual harmonization with the European requests regarding the scope and the quality of the macroeconomic statistics.

Hence the successful attainment of this objective means continuation of activities directed towards quality improvement and scope of the current extern and monetary statistics in line with the international and European statistical standards. Furthermore, the activities directed towards widening the scope of available statistical data with new statistic researches will pursue, primarily with the statistics research on the financial account and statistics of securities. Significant support to the enlargement of the statistical set of data and simplification of the access of the public to them will be enabled by the implementation of the project for development of a system for managing data bases within the National Bank. The enlarged scope of statistical data, supplemented with detailed methodological explanations, will even more improve the decision-making process of the carriers of the macroeconomic policies, and it will also contribute to better informing of the public, in general.

#### Strategic objective 9

- **Preparation of the National Bank for joining and membership in the European System of Central Banks.**

The National Bank will pursue conducting activities for meeting the operational and institutional requirements for membership in the European System of Central Banks. In that regard, it will be worked on further harmonization with the European legislation and best practices of the central banking operations, as well as the continuous strengthening of the administrative capacities of the National Bank. In the following medium-term period,



technical cooperation with other central banks and international financial institutions, as well as use of possibilities within the available EU instruments, is planned.

#### Strategic objective 10

- **Following the trends in central banking, strengthening the resilience to changes imposed by the environment, effective risk management in all segments of operations, ensuring business continuity and safety of the IT system, improving transparency and social responsibility of the institution.**

In the forthcoming medium-term period the National Bank will continue to develop and promote financial recording and reporting, which will enable more efficient financial management, dynamic planning and monitoring of the balance sheet of the National Bank. Cost control, realization of the return on financial investments with the lowest risk of exposure and optimization of the income from regular operations, will be at the core of the efforts of the National Bank.

The changes in the environment and their influence on the National Bank operating emphasize the importance of the strategic planning. In this regard, special attention shall be paid on the development of the capacity for real and impartial setting of priorities in the operations, monitoring and assessment of the performance, having in mind human potential, financial assets and operating risks. Significant element for a successful National Bank mission is the development of the institutional maturity. In that regard, one of the top priorities of the National Bank in the new strategic period is the further development of modern and competent human capital, improvement of the corporate governance and profound system of values in line with the modern practices in the central banking. When employing new staff, special attention will be paid to the equitable representation of ethnic communities and a balanced gender structure, respecting the principles of quality, professionalism and competence.

On the other hand, the growing cybercrime worldwide, the refugee and migrant crisis and internal political challenges, require a need for frequent monitoring of risks and timely identification of emerging risks, reinforcement of security of the information system of the National Bank and measures to ensure continuity of National Bank.

Regarding the regulation, the National Bank has been actively included in the preparation and amendments to several laws, such as: Law on the National Bank, Law on Payment Services and Law on Financial Instruments. After their adoption, the National Bank will continue working on the preparation of the bylaws related to these laws. At the same time, regulatory changes require continuous monitoring and control of legal risk, so that special attention will be paid to its control of the compliance of the National Bank regulations.

When conducting regular business processes, the National Bank will continue to maintain existing working conditions in line with the business requirements, standards and norms established in the country. In this regard, the National Bank will work on safe and efficient implementation of the information technology through further continuous improvement of information systems in accordance with the best international practices in the field of managing IT services. Also, within the activities for the construction of the new facility in the next medium-term period, it will be worked on providing optimum environmental, safety and technological workspace and equipment, aimed at enhancing the professional achievements of the National Bank. With respect to the public procurements, the National Bank follows the trend of electronic procurement at national level, through constant development of the process, introduction of electronic public procurement procedures, simplification of the procedures and development of new and upgrading of constant applicative solutions.

## **V. TRANSITIONAL AND CLOSING PROVISIONS**

8. This Plan shall enter into force on the day of its adoption and shall apply from 1 January 2017.

9. With the commencement of the implementation of this Plan, the Strategic Plan of the National Bank of Macedonia SP.No. 02-15 /V-1/2015 of 7 May 2015 shall cease to be effective.

**C. P. no.** \_\_\_\_\_  
**26 May 2016**  
**Skopje**

**Governor  
and Chairperson  
of the National Bank of the Republic  
of Macedonia Council  
Dimitar Bogov**