

Ardian Fullani: On building capacities for policy design and implementation

Opening remarks by Mr Ardian Fullani, Governor of the Bank of Albania, at the workshop “On building capacities for policy design and implementation”, Tirana, 3 December 2009.

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Dear participants,

It is a very great pleasure for me to open the proceedings of this two-day workshop, entitled “Building Capacities for Policy Design and Implementation”, organised for the first time in Albania by the Bank of Albania, in co-operation with the Center of Excellence in Finance (CEF), Ljubljana, with support from the European Commission, European Central Bank, and International Monetary Fund. Welcoming you here in Tirana, allow me to express my gratitude for the excellent work done by the CEF in the course of these years, to the benefit of our region.

Since our Washington meeting last April, the effects of the global crisis increased their presence in our region; however, as I have already emphasised even earlier, they did not immediately concert to full blown economic and financial problems. The extension of crisis effects to the real economy, to the budgets of governments and to financial sectors of the region, was mitigated by sound macroeconomic policies pursued in the recent years and by the availability of International Monetary Fund funding on an unprecedented scale, in coordination with support from the European Commission and the EBRD.

Due to this intervention, and mostly due to prudential policies pursued by the central banks with regard to financial stability and financial supervision, the region prevented not only twin crises in our banking systems and foreign exchange markets, but also any kind of meltdown.

Nonetheless, this crisis has been a wake-up call. We agreed on this in our meeting last April, in Washington, among senior policy-makers from the region and from EU and IFIs.

Now that we have managed to prevent the crisis, we must start the evaluation of the collateral damage of our response to the crisis. In this respect, it is very important to assess not only the long run sustainability of our region’s equilibrium, but also the effectiveness of our short run response. It is crucial to plan and implement our future moves intelligently for its reversal in line with new normalities.

While we are not out of the woods yet, it is important to make sure that the past year’s fiscal appetite that characterised our region does not become part of this new normality. Actually, we need to do some deep thinking about aspects of our policy regimes – starting with the design of monetary policies, continuing with the way they are anchored and the building of due capacities for a greater effectiveness of monetary policy in the future.

That is why we agreed to put in place today’s workshop, as part of a continuing process of reflection and reform.

In our discussions here in Tirana, we will begin with questions of policy design, which are fundamental to set the stage for the later topics we will come to. We have suggested in advance several questions that may help stimulate the discussion, covering some of the key questions that are certainly left in my mind, as a practitioner, after navigating through the crisis so far.

The issues of policy design include the questions how much room for manoeuvre there has been to use discretionary macro policy measures; how far fiscal policy in future should build up a buffer against macro-financial risks; how far national monetary and prudential regimes have been able to shield us from turbulence; and whether we now see a need to attract new kinds of capital flow – perhaps to change the growth model in the region.

This discussion of policy design will bring us to our second issue. It concerns the role of external anchors for monetary policy. One point of consensus in our Washington meeting was that we need to revisit some aspects of this anchoring process, and the way it interfaces with countries' efforts to build up their own internal anchors over time.

There are several questions about the future role of external and internal anchors. They include some reflection whether there is a need for more co-ordination and synergy between our policy dialogues with the IMF and the Commission; how the Commission's fiscal surveillance (through Economic and Fiscal Programmes, Pre-Accession Economic Programmes, Convergence Programmes) can be deepened and serve more as a commitment device; how far there are lessons to learn about monetary anchors and prudential coordination mechanisms for the EU accession of our region; and how we – including the external actors – can foster stronger domestic anchors in various forms, ranging from medium-term fiscal frameworks to more effective policy co-ordination mechanisms.

Finally, we will turn to the issue of capacity-building. This is a question on which we agreed, at this workshop, to already provide some operational input to the CEF as it develops its work programme in this area. There is a long lead-time in the effectiveness of capacity-building, although fortunately the CEF had already taken the initiative a few years ago to ramp up its contribution in areas such as financial stability and policy co-ordination, so it has a head-start.

In the field of capacity-building, we need to consider: what are the top priorities, and where are the gaps to be filled through initiatives in terms of training workshops, technical assistance, and cross-country exchanges of experience.

This will bring us to look carefully at the design and implementation of fiscal policy, among others, and the way policies come together through domestic co-ordination processes. And we also need to identify the needs in the areas of monetary and prudential policies, where the CEF's member countries have urged it to continue expanding its activities.

This is a full agenda, and I am sure it will not be the last time we get together to exchange views on these issues.

I believe strongly that we stand to gain immeasurably from considering these challenges on a regional basis.

We can learn from each other's experience; we can engage at times in a joint dialogue with the external actors in the region; and perhaps our political leaders can find some opportunities to launch reform initiatives in parallel – for example, in developing structural reforms to help promote a flow of new capital to, and within, this region.

In this spirit, I look forward to very fruitful discussions – now in Tirana and in the future!