

## **Ardian Fullani: Monetary policy challenges in the framework of approximating the Bank of Albania to the European Central Bank**

Greeting speech by Mr Ardian Fullani, Governor of the Bank of Albania, at the workshop organised by the Bank of Albania in cooperation with the GTZ, Tirana, 8 December 2004.

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Honorable participants,

I would like to express my pleasure for participating in this meeting, whose topic has been of great interest to me, and not accidentally I expressed in my first public pronouncement the approximation of the Bank of Albania to ESCB pattern as one of my essential challenges. I had the possibility to discuss this issue even with the Vice President of the ECB, Mr. Papademos, at a meeting in Frankfurt, where I launched the idea to be assisted by the ECB and member banks of the ESCB on approximating our system with the European one.

Trying to spare the time for other discussions of interest in this meeting, I would like to briefly mention some of the main steps to be undertaken by the BoA in the integration process with the European System of Central Banks, a process that requires not only time, but also dedication, lobbying, financial resources and above all, capable human resources.

### **1. Reviewing the legal and regulatory framework of the Bank of Albania and of the financial system in Albania**

In integration process, the reviewing of laws and by-laws is of priority, particularly in the context of the prerequisites that a country aspiring for membership has to meet in the central banks area, in financial and banking system and even broader. In spite of the so-far achievements, much work has to be done. Therefore, the identification of our needs and priorities in this direction would serve as the first step.

The Bank of Albania is not the sole authority in supervising the financial operations licensed in Albania. In this sense, the reviewing of laws and bylaws, involving not only the banking system but also the financial one, would open the way to more effective supervision of the overall financial system. This process would serve not only to further develop the financial system but also to assist in increasing the institutional cooperation between the banking and financial system, thus leading the cooperation between these systems to a higher level.

### **2. Reviewing the organizational and institutional system**

It is natural that the pattern to be pursued is that of the ECB and ESCB. In this issue, much importance will be given to the institutional development of the Bank of Albania over the mid-term period, which will be based, above all, on meeting without conditions of a very important requirement of any aspiring country, which has to do with the central bank independence. The institutional and documentary approximation to practices on which the ECB is based and operates will be the main principles of the BoA agenda.

### **3. Improving the monetary policy and operational framework**

From the viewpoint of operational monetary policy framework, the Bank of Albania is a relatively advanced institution, but the same consideration may not be valid concerning its transmission mechanism. Significant improvements are required for the development of banking and financial markets. So, we may mention: the development of lending to economy, especially in Lek, thus creating a better extension of operations according to demand, and reducing the transactions in cash.

In the function of market development, positive tendencies are expected in the future, in terms of increasing competition and banking intermediation efficiency.

Concerning cash reduction in economy (money outside banks), the BoA is not going to work in campaigns but will be led by a more active philosophy in terms of encouraging banking products, completion of clearing systems, use of credit cards not only for payments but also for general services and particularly for utilitarian ones.

The identification of factors impacting on inflation and the magnitude of this impact remains an important element, thus creating possibilities for a more accurate inflation forecasting. An important role in this direction will be played by improvement of research and information abilities and the system of statistics within the bank, which will also be subject of discussion by the BoA representatives in this meeting. We may mention here the establishment of an Institute of Scientific Research of the Bank of Albania, with a regional dimension, that will impact significantly on raising the standards.

Concerning price stability, the necessary institutional framework of the Bank of Albania, the independence, credibility, accountability and transparency should be ensured and strengthened.

Dear participants,

The above issues constitute some main pillars, which will create a real approximation of the Bank of Albania to European System of Central Banks. On the other hand, I am convinced that today's meeting will be a concrete step in this direction. Wishing the successful continuation of this workshop, I express once more my determination to lead the integration process of the BoA towards ESCB.