

Ardian Fullani: Strengthening the capacities of the Bank of Albania

Speech by Mr Ardian Fullani, Governor of the Bank of Albania, at the Closing Ceremony of the IPA-funded Twinning Project on strengthening the capacities of the Bank of Albania, Tirana, 16 July 2012.

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Dear guests,

Central banks, since their inception, have been vested with a “veil of mystery”. This relates to their exclusive right to issue money, set a loan interest rate and control liquidity in the market. Precisely, this important role of central banks and the recent global developments put these institutions on the spotlight. Responding to these developments, central banks worldwide, in perfect coordination with one another and in addition to traditional instruments, took extraordinary measures that had never been employed before.

Through those measures, they intended to provide sufficient liquidity in the market, with a final goal, which has remained unchanged since ancient times, to restore public confidence in financial institutions. The Emperor Tiberius, dating to A.D. 33, had to inject one million gold pieces of public money into the financial system to keep it from collapsing.

Today, cooperation and coordination among central banks have become an integral part of institutional management. Technological developments and the globalisation process have aroused the need for coordination among decision-making institutions all over the world. Imagine the developments following the World War II, when central banks widely accepted their transition from private to public ownership and when they realised that it was not only necessary but also imperative to cooperate, regardless of physical barriers. Imagine, for example, the president of the Federal Reserve, who wasted three months to travel to Europe and two weeks to receive a letter from his homologues overseas.

Actually, central banks have increased their efforts for a better and more fruitful cooperation. This is an undeniable truth. It has been a distinct feature of our work in recent years. Since my first public appearance as Governor of the Bank of Albania, I have pronounced my ambition for Bank of Albania’s legal and institutional transformation in line with the model of the European System of Central Banks (ESCB).

I am fully confident that the successful conclusion of the Twinning Project with the Banca d’Italia and Banque de France is another determinant step forward in the joint efforts to strengthen cooperation and elevate our work standards to European levels. Today, we see that, in a few months, a brilliant idea has turned into reality and the project has been crowned with success.

The project objective was to improve our work practices in the field of banking supervision, statistics, payment systems, interbank market, coordination of EU integration process and financial literacy.

More specifically, cooperation in banking supervision focused on implementing major reforms in areas such as consolidated supervision, approval of new regulations and staff training. This cooperation has fostered our relations with foreign supervisory authorities and international institutions. Staff capacity building and development in this area was another priority of the project. Our institution should take relevant measures to increase their skills for preventing or handling deficiencies or threats to financial system stability.

In terms of statistics, this cooperation has led to a thorough review of the existing regulatory framework to completely fulfil ECB standards on compilation and dissemination of monetary and financial statistics. The review aimed to identify items of noncompliance with EU standards and to subsequently draft a solid agenda for comprehensively reviewing our

methodology and infrastructure to compile the Balance of Payments in accordance with EU standards.

Payment systems constitute another priority of our work under this project. In this area, our practices further improved, aiming at approximating them to the ESCB practices on payment systems. Also, pertinent legal acts and their compliance with the EU regulatory framework were reviewed.

Cooperation on interbank money market consisted in analysing the experience of other central banks in handling market obstacles and difficulties in relation to the regulatory framework. Other useful aspects for adapting, including identification of necessary actions to be taken by our institution in the interbank money market were also addressed.

Coordination of the EU integration process is another major area that was broadly addressed by this project. Thanks to this cooperation, our staff capacities were enhanced as regards the handling of responsibilities arising from the implementation of the Stabilisation and Association Agreement, approximation to the ESCB standards, and the challenges that we may encounter when Albania receives the status of a candidate country and starts negotiations of EU accession.

Last but not least, financial literacy is of key importance to the Bank of Albania. Thanks to support from and cooperation with the project team, an action plan was designed to promote financial literacy and enhance awareness of market-economy principles across various groups of the society. Also, a system for monitoring financial literacy in schools was set up.

Further on, due to complexity of our work and new developments in the banking and financial area, it is clear that the project has strengthened our institution and has helped us cope with new situations. Moreover, the cooperation and communication between our institutions intensified from both viewpoints, professionally and personally. We do live in a global society, where financial developments take place at a rapid pace. Therefore, central banks should possess strong and reliable mechanisms of coordination and communication, which may prepare our institutions to cope with such situations.

A proverb says: "No matter how long the journey is, one has to take the first step to start off." This philosophy was made concrete through this twinning project, which along with the assistance in the afore-mentioned areas, was also the first step on the path of our institution to EU standards, as one of the priorities of the Stabilization and Association Agreement.

I would like to extend my sincere thanks to the Banca d'Italia and the Banque de France for the outstanding cooperation we have had during the project implementation. I commend the efforts of both honoured institutions and hope that the successful implementation of this project will provide us with an example to involve more in such initiatives in the future.

Also, I want to extend my thanks to the Delegation of the European Union for its ongoing assistance and prudence throughout the project performance. I am deeply confident that these are only the first steps towards a close cooperation.

I would like to conclude by bringing to your attention a statement of Mr. Shimon Peres, who, listening to his advisor, Agassi, who was speaking about developing alternative oil sources in the absence of oil, interrupted him by saying: Nice speech, but what are we going to do?

In light of this, we should think about what to do in the future. I think that the political coverage of this approximation process is important, with which I mean Brussels' probable acceptance of Albania's application for membership in September. This is an important step that would provide additional room for the country's rapid convergence and for Bank of Albania's rapid and irreversible development in line with the models of its European counterparties.