

Jörg Asmussen: Opening remarks at the closing ceremony of the Eurosystem Needs Analysis Project

Speech by Mr Jörg Asmussen, Member of the Executive Board of the European Central Bank, at the closing ceremony of the Eurosystem Needs Analysis Project funded by the European Union, Skopje, 10 July 2013.

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Governor Bogov,

Ambassador Orav,

Ladies and Gentlemen,

It is a pleasure to be here in Skopje today to mark the close of a successful needs analysis programme. I have just handed over the related report to my colleague, Governor Bogov. This report lays down recommendations for changes to the central bank law and regulations, processes and practices in order to prepare the National Bank of the Republic of Macedonia (NBRM) for EU accession. I hope that this report will help in developing the central bank's strategy going forward. In fact, we are confident it will, as we know that some of the recommendations have already been successfully implemented. The report is the result of the nine month programme and was produced by the ECB and national central bank colleagues following an analysis of your current practices.

[The areas covered by the programme are accounting, banknotes, economic analysis and research, human resources, information technology, internal audit, legal services, monetary and exchange rate policy, payment systems and statistics.]

I would like to stress, however, that we could not have produced such a comprehensive needs analysis report without the excellent cooperation and openness of NBRM staff.

Let me emphasise that the programme with the NBRM stands in the tradition of other ECB-coordinated technical cooperation programmes with EU candidate and potential candidate countries conducted over the past decade. Central banks of candidate and potential candidate countries are privileged partners for our technical cooperation. It is in the interest of all of us, that once a central bank joins the ESCB, and eventually the Eurosystem, it is able to fully perform its function in the system.

The report is not the only tangible outcome of this programme. Throughout the whole project, NBRM staff have met many colleagues from national central banks as well as the ECB. This means that NBRM experts now have a network of colleagues to whom they can turn for advice or to share information. Moreover, the information does not only flow in one direction. European experts have also expanded their lists of contacts in the region. The benefit of such programmes is that both parties gain in understanding and learn from each other.

As you can well imagine, the crisis in several euro area countries has absorbed much of our energy and attention in the past years at the ECB and in the national central banks. However, we remain committed to international cooperation, and in particular to technical cooperation with central banks of EU candidate and potential candidate countries.

As regards the current crisis, let me briefly mention the two most relevant areas policy-makers need to focus on looking forward.

Structural reforms, financial repair and fiscal consolidation at the national level are key and need to be pursued vigorously in the financially stressed euro area countries. There is simply no viable alternative.

At the European level, further improving the institutional framework, the governance of the euro area is of utmost importance.

While EMU needs to be complemented with elements of a stronger fiscal, economic and political union, the most pressing need is to implement a comprehensive and effective banking union.

We learnt the hard way how quickly and severely financial sector problems in one country can spread to another. We also experienced the severity of negative feedback loops between sovereigns and banks. National supervisors have been heavily challenged by cross-border banking and financial activities. Ultimately, a monetary union with a single currency, a single monetary policy and increasing financial integration cannot function properly if financial stability policies (regulation, supervision and resolution) remain at the national level.

The setting up of a banking union with the Single Supervisory Mechanism (SSM) and the single resolution mechanism (SRM) as core elements is therefore key and will enhance the quality of supervision and the credibility of the system and remove the misalignment between the institutional frameworks for monetary policy and financial stability.

Given the close economic and financial links between the euro area and south-eastern Europe, it goes without saying that progress in addressing the crisis in the euro area is in the interest of countries in this region. The SSM may bring particular benefits, as subsidiaries or branches of euro area banks are of systemic importance in the financial systems of many south-eastern European countries. In addition to enhancing the quality of supervision of parent banks, the SSM has the potential to facilitate home-host country cooperation in banking supervision.

I am confident that future new members of the EU, and eventually of the euro area, will ultimately accede to a stronger Union. In this context, a key lesson from the crisis for EU candidates and potential candidates is that membership of the EU and the euro area should not be seen as an end in itself, but rather as a means to an end, namely to enhance the welfare of our citizens. The achievement of sustainable convergence and competitiveness is vital for the successful membership of the euro area.

To conclude I would like to thank our host Governor Bogov. As stated in the report of the programme we are closing today, he has already brought the NBRM in line with or close to European standards in many areas. I wish him every success in working on the remaining issues and offer our services and support to this end wherever possible. I thank Ambassador Orav and the European Union for funding this initiative and hope that, given the importance of strong institutions, the EU also will support central bank cooperation with the NBRM in the future. And finally I would like to thank my colleagues from the ECB and the national central banks who are also represented here today for their efforts and contribution to this very successful cooperation programme.