

Gent Sejko: Comments on cooperation extension between Albania and Swiss State Secretariat for Economic Affairs

Speech by Mr Gent Sejko, Governor of the Bank of Albania, at the ceremony of signing the Memorandum of Understanding between the Swiss Government's SECO and the Bank of Albania, Tirana, 1 March 2019.

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Dear ladies and gentlemen,

Today we start the second phase of the cooperation with the State Secretariat for Economic Affairs (SECO), which provides, on behalf of the Swiss Government, technical assistance to support, among others, central banks.

I take this opportunity to extend our profound appreciation and gratitude to the Swiss Government, which has continuously provided assistance to the Bank of Albania – either directly or through other financial institutions – in the areas of payments, financial inclusion and monetary policy. Today, we are signing a new cooperation agreement with regard to perfecting our analyses and decision-making processes. The development and the continuous enrichment of scientific capacities of our talented staff, and the implementation of research and analysis methodologies to support the decision-making and policymaking processes are a priority for the Bank of Albania.

In this context, it is a pleasure and honour for me, as the Governor of the Bank of Albania, to sign, together with H.E. Ambassador Maître, this agreement between our two institutions. At the Bank of Albania, we are very enthusiastic about this cooperation. The signing of the agreement today, follows the conclusion of a similar and very successful cooperation in the period 2013–2018, which improved significantly our analysis, research and technical capacities. I can proudly and confidently say that the programme has accomplished all the goals. It addressed three key aspects for the central bank: research, monetary policy and financial stability. It contributed not only to enhancing the knowledge, the expertise and the application of contemporary methodologies for economic and financial analyses, but also to materialising a concrete product to improve and expand evaluation, forecasting and analysis models. These models play now a significant role in the decision-making process at the Bank of Albania.

Under this cooperation programme, the Bank of Albania benefited technical and financial support. Some statistics from the implementation of the first phase illustrate the extent and impact of this programme. In the period 2013–2018, we realised 30 different activities, involving 360 staff members from the Bank of Albania. Moreover, around 270 employees attended 18 workshops on dedicated topics for the Bank of Albania. In addition, representatives from the Bank of Albania participated in 8 academic conferences in which 87 members from its staff presented their research and received valuable comments for further improving their work. Three employees have been able to visit The Graduate Institute Geneva to attend post-university studies for a period up to six months, and develop their research projects under the supervision of and assistance by renowned professors of the Institute.

The Bank of Albania is responsible for the formulation and implementation of the monetary policy, regulation and supervision of the banking system, regulation and development of the payment system, and promotion of financial stability. In the framework of the cooperation with SECO, it benefits not only in academic but also in concrete terms. The developed forecasting and analysis models enable the monetary policy to play a more proactive role, as testified in the successful management of appreciation pressures on the exchange rate in the previous year. Thanks to SECO-funded cooperation projects, the Bank of Albania has adopted contemporary models and methodologies for evaluating the adequate level of the foreign currency reserve – currently

standing at EUR 3.3-3.4 billion, managing liquidity in the banking sector, and withstanding adverse scenarios. Also, the study of various phenomena related to the functioning of the financial system has prepared the ground for the drafting and approval of a series of regulations, which – among others – have accelerated the process for the reduction of non-performing loans and will create a safer and more efficient regulatory environment with regard to managing financial shocks. Lastly, the cooperation with SECO has generated a number of projects, which are being currently implemented in the field of payment systems. One particular example is the national strategy for promoting the use of retail payments, which serves, among others, to lowering their costs, promoting remittances and boosting financial inclusion.

Dear ladies and gentlemen,

The new agreement, similarly to the previous one, enables the Bank of Albania to be part of a rich, deep and diverse programme of bilateral assistance and capacity building for central banks. Through qualifications and capacity building, the goal of the cooperation agreement is to perfect the analysis, the decision-making and, consequently, the policy-making processes at the Bank of Albania. I think that we have already established firm foundations that guarantee an even stronger partnership for the second phase.

Expected outcomes from the implementation of the second phase include: monetary policy decision making sustained by improved forecasting capacities, macro-prudential policy formulated based on a larger body of knowledge about various risks; and research further enriched with the best research methodologies and practices. These goals form the core of our medium-term strategy.

The Bank of Albania aims to increase the impact of research results on decision-making, extend research to other departments, and adopt highest standards on ethics and rigorous research, which renders it one of the priorities of the cooperation.

Many of the current developments and challenges in certain countries or regions may appear as distant and alien to us, but globalisation and economic integration disregards borders and their effect and impact may spill over into our economy. The problems that persist from the financial crisis, the continuation of quantitative easing programmes and the new normal for the monetary policy affect the functioning of the central bank. On the other hand, challenges and opportunities introduced by technological development for central bank policies and decision-making, financial inclusion and financial instruments, are phenomena that affect not only the central bank but also the rest of the society. It is, therefore, necessary to study, analyse and address such phenomena based on facts and best scientific analysis. We value international cooperation in these fields as a very important contributor to coping with such challenges and undertaking visionary policies.

Notably, the selected format for providing technical assistance enables the output objectives of the cooperation to be tailored to the characteristics of the Albanian economy and dedicated to the Bank of Albania and its decision-making and operational framework. The technical assistance consists of a set of activities that include all the phases and methods of learning and, at the same time, contributes to all concrete and flexible policy-making processes at the central bank. Activities under the programme range from lectures to practical implementation of the knowledge and application in specific projects, in accordance with the priorities of the Bank of Albania.

The selection of a serious partner is another important aspect for the success of this agreement. The Graduate Institute Geneva has become an important partner for the Bank of Albania, contributing with its academic staff as well as collaborators it selects among renowned professors and experts of economics, finance and banking.

This agreement between the Bank of Albania and SECO, the centre of expertise for all core issues relating to economic policy, in Switzerland and not only, helps the Bank of Albania to fulfil the objectives, to carry out its duties and to withstand future challenges.

I would like to thank once again Mr Maître and the State Secretariat for Economic Affairs for the contribution to the Bank of Albania.

I look forward to the fruitful and successful cooperation under the new agreement

Thank you!