

GREETING SPEECH

*Arben Malaj**

*Honorable Deputy Prime Minister,
Honorable Governor,
Ladies and Gentleman,
Distinguished participants,*

The 5th International Conference, “Central banking in the time of integration”, which I have been honored to greet today, is an important event to evaluate not only the results but also the future challenges which stand in front of us in the path towards the development and consolidation of the Albanian society.

The process of European integration is not only an ambition for all of us but also an obligation for all the factors and institutions of the country where needless to say, the central bank has an important mission.

At the same time, I would like to point out that the integration process is not a concrete agenda full of deadlines but includes a series of standards and performances, which in reality determine the effectiveness and profitability of long-term ambitions.

Not by chance, recently, the debates on the Stability Pact and growth take place in the political environment of the EU, where I

hope monetary and fiscal policies are harmonized and should provide our continent the economic growth and employment.

Establishing a contemporary legal framework, institutions to implement this framework and above all their performance and efficiency in the integration process will be part of our common and long-term challenge.

This conference gives me the opportunity to speak about the general philosophy based on which achievements have been made possible and to discuss the role of the central bank and Ministry of Finance as partners in this process.

The macroeconomic stability of the post-transitional stage in Albania is by now a well-known fact, which is recognized as a success by the economic authorities of the country and our international partners, the IMF and the World Bank.

The high GDP growth rates at 6-7% during the last 13 years, the controlled level of inflation at 2-4%, the gradual decrease of the deficit from 15% to 4.5%, the decrease of the public debt to 54% of GDP, the stable levels of the exchange rate of the national currency, the Lek, are facts which are continuously brought forward to back the common reforms undertaken to ensure macroeconomic stability.

I consider these results as supportive of real independence for Bank of Albania and in this context I would like to stress that the key on of these successes consists in the attempts to harmonize monetary policies with those of fiscal consolidation, which has been made possible through the cooperation between the Ministry of Finance and the central bank. This entirely institutional cooperation has resulted effective.

The reasons behind this cooperation are:

1. First, the fact that the harmonization of monetary and fiscal policies may considerably achieve maximum possible profits. Any economic theory we may refer to, neoclassicism,

Keynesianism, monetarization, economies of the offer or economies of rational expectations, I believe the arguments in favor of harmonizing monetary and fiscal policies and thus, in favor of the cooperation between the Ministry of Finance and the central bank are relevant. I believe this conference will be another opportunity to highlight the most important moments of the integration challenge.

2. Second, the attention to the role of the central bank in the field of finance is motivated by the crucial role the central bank has as a guarantor of the financial system. Financial intermediaries are part of this system. Here I would like to point out the greatest achievement of these years: the creation, development, and consolidation of the banking system structured in first and second tier banks and in insurance companies.

The growth of savings and the efficiency in employing them towards investments in our economy are conditioned by the creation and encouragement of a modern system of financial intermediaries where naturally, banks take central stage.

At the current stage in the development of our economy, it is clear that there is a direct correlation between the reforms in the financial system, the sustainability of economic growth, and the integration process.

I believe this conference is taking place at an appropriate moment, highlighting the new phase Albania has now entered: the sustained economic growth. The concept of growth quality is taking more room in the academic discussions as simply compared to the growth rate. Policies that increase the competitive abilities of the economy are becoming a priority.

Successful strategies which are based on growing and more integrated markets are becoming ever more important in an environment where integration and globalization are all an encompassing reality to which we may react only positively by increasing the efficiency of the policies which recognize costs and which better harmonize costs and profits.

In this context, I would like to explain a bit more some of the challenges I mention above which I believe we will have to face in the future. They first of all deal with increasing investments in sectors that have the ability to generate long-term sustainable economic growth.

The precondition then is to employ effective strategies, which pay attention not only to the savings – investments axis but also to the loans – investments axis in order to achieve those objectives that have been now ratified in the “National Strategy for Social and Economic Development”.

Albania will have not only to compete in global markets for resources but also to increase possibilities and the effectiveness of the utilization of its own resources.

In this context, the interest rate policies applied by the central bank are decisive not only in the macroeconomic aspect as helping improve the investments – savings balance and the investments – liquidity balance but also in the functioning of the loan system so as to improve the level of investments (short-term and long-term ones) towards effective economic entrepreneurship.

I believe the Ministry of Finance will be the natural and credible interlocutor of the central bank to ensure the success of the above-mentioned strategies.

The challenge, which Albania will have to face during the coming years, is the challenge of the future integration in the European Union. Doubtlessly, this challenge together with the other aspects sheds light on the compulsion of financial and macroeconomic achievements, which would provide the guarantee of success for the whole process that has already started with the Stabilization and Association Agreement.

Issues such as increasing tax collection effectiveness and adopting a new philosophy on public spending management in function of public savings now initiated by the Ministry of Finance, will naturally be connected to the central bank policies in order to ensure even in the future price stability and acceptable interest rates so that we

may achieve sustainable convertibility levels for the Lek, economic growth and employment in the long run.

In conclusion, I would like to emphasize that “Central banking in the time of integration” is indeed a pertinent topic because of the number of questions that have arisen by the need to face the above-mentioned challenges. The scientific debate on the best experiences and the common discussions between policymakers and scholars, create the conditions for maximum cooperation effectiveness from the point of view of the future challenges.

Being convinced in the success of the conference, I would like to express my appraisal and gratitude to those that made it possible, to the Prime Minister for his presence as a testimony of the importance our government gives to its successful proceedings and to all the participants that accepted to give their intellectual contribution to this undertaking.

Thank you.

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