Comments on:

1- An approach on monetary policy – Greek experience,
2- Specific issues of monetary policy – Turkish experience,
3- An approach on monetary policy – Croatian experience,
4- An approach on monetary policy – Bosnia Herzegovina experience,
5- An approach on monetary policy – Albanian experience.

With the understanding that the real life is the right appraiser to assess the effectiveness of the monetary policy which is followed by the countries that have the possibility to speak in this conference, I am going to skip my opinions about it and to organize my comments just for two topics:

Lessons learned from monetary policy implementation,
Possible future monetary policy framework.

A - Lessons learned from monetary policy implementation:

a- Government' s should publicly state their own objectives through their own programs or agreements signed with international financial institutions. This programs should serve like as a future benchmark for their economic activity,

b- Get the public understanding and support to avoid any internally loss of confidence (credibility),

c- If it's a need for policy adjustment make it transparent to the public but bear in mind that all adjustments should be consistent with previous policies,

d- With the understanding that the majority of the countries in the region, which are participating in this conference, fall in transition economies, we need to be aware of the necessity for the structural reforms either in real or financial sector,

e- Keep under control fiscal deficit and does not tolerate it especially through loosing monetary policy,

f- Work to build up and to protect an independent central bank,

g- Respecting the rules of the game and fulfilling continuously the targets will help to build up and increase the credibility and at the same time will create conditions to avoid any speculative attack,

h- Work hard to create a sound banking system through strictly enforcing prudential regulations, monitoring carefully the development in credit activity, monitoring and why not avoiding any mismatch position either at banks or bank's clients balance sheet,

i- Be aware about any inflow of foreign currency and formulate policies which will deal with them not only when they are coming but also when they are stopped or went out.

B - Possible future monetary policy framework

Supposing that the main objective of the monetary policy is going to be the price stability and not expanded or replaced by other objectives as promoting growth of output, employment or competitiveness, allow me to say first which are the two broad strategies which central banks adopt:

a- Indirect policy based on an intermediate target such as: growth in monetary aggregate, interest rate or exchange rate. It is implicitly assumed that there is a predictable relationship between the intermediate target and future inflation along the line suggested by the quantity theory of money.

b- Direct policy based on an explicit final target for inflation. A target is set usually for future inflation, in order to allow for the time lag between changes in monetary policy and its impact in inflation. Here policy is changed on the basis of multiple intermediate variable on both the demand and supply side of the economy.

In this case we can have three scenarios :

1 - The " strict constructionist" – Interest rate should respond to the exchange rate only when it affects actual or forecasted inflation (otherwise it could confuse the public regarding the ultimate objective),

2 - The " flexible inflation target" – the exchange rate can also be a legitimate policy objective, alongside inflation (in this case use monetary policy to respond to the exchange rate only when inflation remains comfortable within target),

3 - " Singaporean view" – pass through is sufficiently high and stabilizing inflation requires close management of the effective exchange rate.

After we did a short description of the possible monetary strategies and after reminding to you the monetary policy framework used by country represented here: Greece no monetary policy, Turkey before crises exchange rate anchor and now explicit monetary target implicit inflation targeting, Croatia explicit monetary target but implicit exchange rate anchor, Bosnia Herzegovina currency board, Albania implicit inflation target, explicit monetary targeting I can say something about future possible monetary framework.

Greece like it is now,
Turkey - "strict constructionist",
Croatia - "Singaporean view",
Bosnia Herzegovina - " Singaporean view",
Albania - "flexible inflation target",