



Introductory remarks

by Frank Moss,
Director General International and European Relations
of the ECB

at the presentation of the Eurosystem cooperation programme
with the National Bank of the Republic of Macedonia

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European Central Bank
Directorate General Communications and Language Services
Press and Information Division
Kaiserstraße 29, D-60311 Frankfurt am Main
Tel.: +49 69 1344 7455, Fax: +49 69 1344 7404
Internet: <http://www.ecb.europa.eu>
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Dear Governor Bogov

Your excellency Ambassador Orav

Ladies and gentlemen,

I am very pleased to be in Skopje today on the occasion of the first Programme Steering Committee meeting of the cooperation programme between the ECB and other national central banks of the Eurosystem and the National Bank who is kindly hosting this event today. This programme has received the green light on 15 October 2012 and is funded by the European Union. I would like to thank Ambassador Orav and his staff for their support to the programme.

Let me first expand a little on the nature and aims of the programme. Thereafter, I will bring in the broader perspective of the ECB's engagement in the Western Balkans region, from both a technical cooperation and policy point of view. Finally, I will conclude with some remarks on the challenges ahead for both the euro area and the EU candidate and potential candidate countries of this region.

First, as Governor Bogov has already mentioned, the purpose of the programme is to determine which changes your central bank would need to consider in the preparation for joining the European System of Central Banks by the time your country becomes a member of the European Union. He has mentioned that the programme is broken into 3 distinct phases, so I don't need to repeat this.

The programme is being coordinated by the ECB and implemented in partnership with the central banks of 10 euro area countries: Germany, Estonia, Ireland, Spain, Italy, Malta, the Netherlands, Austria, Slovenia and Slovakia. The Bulgarian central bank will also provide experts for the programme. There are also ten areas included in the needs analysis, namely accounting, banknotes, economic analysis and research, human resources, information technology, internal audit, legal services, monetary and exchange rate policy, payment systems and statistics.

As regards the ECB's engagement in the region, my second point, let me mention that we have carried out this type of programme with success in other countries of the Western Balkans region. More generally, in the last five years the ECB, in partnership with the national central banks of the Eurosystem and the European System of Central Banks, has conducted four bilateral technical cooperation programmes and one regional programme.

We believe that key success factors of our technical cooperation programmes have to do with the fact that, first, our programmes have clear targets and objectives that have been set together with the beneficiary before we start to implement, and, second, that the programme is implemented by practising central bank experts from the ECB and from national central banks. Central bankers the world over tend to speak a common language and they also feel comfortable in conducting an open and honest dialogue. Obviously, relying on practising experts currently presents a challenge. Indeed, the on-going economic and financial testing times have added work pressure on staff at all of our central banks, and the fact that we have been able to include the ECB and 11 other central banks in this programme gives testament to the interest we all take in your country and region. I would like to use this occasion to thank the experts from all of our partner central banks for their dedication and commitment in taking on this additional assignment in difficult times.

The ECB's engagement with the Western Balkans region in recent years has not just concerned the realm of technical cooperation but also extends to the policy domain. Let me give you a couple of examples in this regard. The ECB participated as an observer in the European Bank Coordination 'Vienna' Initiative and continues to participate in the Vienna II initiative, which seeks to achieve an orderly deleveraging process by foreign-owned banks present in Central, Eastern and South-Eastern European (CESEE) economies. The ECB holds regular high-level policy dialogues with central banks of candidate countries with whom the European Union has opened accession negotiations. The ECB monitors closely the

economies of the entire region, and inter alia provides an assessment of EU Candidate Countries' monetary and exchange rate policies as presented in their respective Pre-Accession Economic Programme (PEP) reports, as an input into the region's dialogue with the ECOFIN Council. I could also refer to our regular conference on CESEE economies in Frankfurt, we are currently preparing the 2013 edition for June, which obviously involves the Western Balkans region.

Taken together, these various examples also demonstrate that the ECB has not turned inward as a result of the euro area sovereign debt crisis and the need to strengthen the governance of Economic and Monetary Union in Europe. The past years have taught us how important cross-border spillovers can become and how countries in different regions, with different economic structures, still face a number of similar challenges. If you permit me, Governor Bogov, let me dwell the last minute of my intervention on some of the common policy challenges we are facing in the period ahead.

Most of the economies in South-Eastern Europe need to shift the focus from domestic to foreign-led drivers of growth, but this is also true of some economies within the euro area which similarly are faced with the need to improve price and non-price competitiveness. Countries with de jure or de facto fixed exchange rate regimes as well as countries within a monetary union sharing a single currency, need to enhance the flexibility of their labour and product markets and overall adjust, in structural policy terms, in order to boost their countries' output and employment growth as well as resilience to future shocks. Countries that rely on external financing, whether in this region or in the euro area, need to have policies in place that prevent excessive external imbalances from developing and private or public debt levels from escalating. All countries need to focus on addressing risks to their financial stability, and all countries are in need of a safety net to deal with extraordinary situations.

But, we do not only share common policy challenges, we also share a historical past, and we have a common future. The programme we are presenting to you today will, on top of the technical knowledge and recommendations, forge stronger links between the central banks of the EU and your own. As the experience from past programmes in the region shows, this network will continue to operate long after the current programme finishes. It will be one further demonstration of the usefulness of international cooperation, not just in crisis times. Governor Bogov, we have already seen during the first stage of this project that you and your team are committed to achieving the targets you have set for yourselves. You are dedicating valuable resources to this aim while the EU is providing valuable financial resources. On our side, the ECB and the Eurosystem commit to achieving the best results possible from this programme. The ECB is coordinating the programme from Frankfurt am Main and has dispatched Ms Kristine Drevina as Resident Programme Coordinator to remain in Skopje until this programme is completed. We stand ready to support you in your journey towards accession to the ESCB. I wish all of us success in achieving the ambitious targets of this central bank cooperation programme.

Thank you very much.