

Anchoring economic policies in South East Europe:

*The role of European and International
Institutions*





TUTIUS UT POSSIT FIGI

“If safely, thou desire to go / [Be nor too swift, nor over slow]”

This 7th Bank of Albania-SEESOX high-level seminar is held at St. Antony’s College, Oxford. The workshop is by invitation only and is supported by the Bank of Albania, in cooperation with the Political Economy of Financial Markets (PEFM), and the European Bank for reconstruction and Development (EBRD).

As usual, discussions are held under the Chatham House Rule.

CONVENORS

Othon Anastasakis (SEESOX)

Altin Tanku (Bank of Albania)

Max Watson (SEESOX)

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Anchoring economic policies in South East Europe: *The role of European and International Institutions*

BANK OF ALBANIA-SEESOX REGIONAL WORKSHOP

Oxford, 8 & 9 May, 2014

There is a broad consensus among policy-makers in South East Europe that the pattern of economic development in the run-up to the global and euro area crises was not sustainable. A durable re-launching of growth across the region will need to be based to a greater degree on exports, on investment in the traded goods sector, on higher domestic savings, and on inflows of foreign direct investment.

Re-launching growth in South East Europe along these lines depends on deeper and more focused structural reforms, and that will be the topic of a seminar by the EBRD at 17:00 on May 8th, which will serve as a curtain-raiser for the workshop.

Achieving this objective also requires a reconsideration of macroeconomic and financial frameworks, and the way that these are anchored: this is the main focus of the all-day workshop that will take place on May 9th. Since the onset of the financial crisis there has been a reconsideration of the previous macroeconomic and financial orthodoxy in some areas - including among other issues the scale of fiscal multipliers, the role of macroprudential measures, and the case for other defense instruments, including capital flow measures. It is clear that macrofinancial vulnerabilities in countries' economies had been underestimated in the run-up to the crisis. Among other issues, policy-makers had created too little fiscal space to cope with negative shocks. Partly as a result, countries were less able than expected to exit from IMF programmes, or have found a need to return to these.

Complementing and extending earlier Bank of Albania-Oxford regional economic workshops the discussion in the sessions on 9 May will focus centrally on the question of external anchors in this connection: first, the ways in which policy thinking has been evolving, and second the role that European and international institutions are able to play in the period ahead. The core issue for discussion is how these actors can help embed more effectively a macrofinancial setting that is favourable for balanced and sustainable economic growth.

The first session of the workshop will explore how policy thinking on these issues has been evolving in light of the crisis. Concretely, the workshop will review the changing nature of policy challenges as well as recent changes in surveillance approaches, and ask to what extent these are relevant to economic policy formulation in the region. The aim will be to ask in what ways our understanding of the policy issues, options, and constraints facing emerging market countries - and South East Europe in particular—has changed since 2008.

The second session will then turn to the role of the EU and the international institutions in helping to anchor policies in the region, based on a review of recent country experience. It can be argued that this process, during the past decade, was not sufficiently powerful in providing a set of policy anchors for the very complex demands of nominal and real convergence that countries in the region were facing. Among other issues, the implications of rapid financial integration and strong monetary links were typically not read through to fiscal and macroprudential policies. Are there ways in which external actors can orchestrate their efforts more effectively to help support countries' policy efforts in the future? This exchange will explore the experience of earlier Accession countries as well as countries in the region that are present at the roundtable.

Following these two sessions, the workshop will end with an assessment of key challenges by a panel of senior central bankers.

Programme

Thursday 8 May

16:30 Tea

17:00 **Seminar**

Is Eastern Europe stuck in Transition?

Oleg Levitin (European Bank for Reconstruction and Development);

Peter Sanfey (European Bank for Reconstruction and Development)

Chair: **Othon Anastasakis** (St Antony's College, Oxford)

19:15 Reception and dinner

Friday 9 May

9:00 Registration and coffee

9:15 **Welcoming and introduction**

Othon Anastasakis (St Antony's College, Oxford);

Ardian Fullani (Governor, Bank of Albania)

9:30 **Session I – An outlook that challenges existing policy anchors**

Chair: **Ardian Fullani** (St Antony's College, Oxford)

Lead discussants:

Max Watson (St Antony's College, Oxford)

Spillovers from international markets and dilemmas for the accession framework

Russell Kincaid (St Antony's College, Oxford)

The evolving nature of surveillance - relevance to the region?

Peter Sanfey (EBRD)

Diagnosing and anchoring structural policies

Gillian Edgeworth (Unicredit)

The changing financial environment and the role of policy anchors

11:00 Coffee

Venue

Lobby, Hilda Besse Building

The Dahrendorf Room,
Founder's Building

Oriel College

Lobby, Hilda Besse Building

The Pavilion,
Top Floor, Gateway Building

Lobby, Hilda Besse Building

	Venue
11:15 Session II – Lessons from country experience in the past decade Chair: Othon Anastasakis (St Antony's College, Oxford) Lead discussants: Adam Bennett (St Antony's College, Oxford) <i>The experience of IMF programs and policy performance in the region</i> Julia Kiraly (International Business School, Budapest; KBC Group) <i>Experience in Hungary</i> Jens Bastian (Hellenic Foundation for European and Foreign Policy) <i>Lessons from Greece</i> Androulla Kaminara (St Antony's College, Oxford; European Commission) <i>The Cyprus experience</i> Peteris Zilgalvis (St Antony's College, Oxford; European Commission) <i>The case of Latvia</i>	The Pavilion, Top Floor, Gateway Building
12:30 Lunch	
14:30 Session III – Panel of Central Bankers Chair: Max Watson (St Antony's College, Oxford) Ardian Fullani (Bank of Albania) Anita Angelovska Bezoska (National Bank of the Republic of Macedonia) Nikola Fabris (Central Bank of Montenegro) Mariella Nenova (Bulgarian National Bank) István Kónya (Central Bank of Hungary) Belma Čolaković (Central Bank of Bosnia and Herzegovina) Arben Mustafa (Centrao Bank of the Republic of Kosovo)	Buttery, Hilda Besse Building
16:00 Coffee	Lobby, Hilda Besse Building
16:30 Closing Remarks: Ardian Fullani and Max Watson	The Pavilion Top Floor, Gateway Building
19.00 Dinner	Brasserie Blanc, 71 Walton Street, Oxford

Participants

Othon Anastasakis	Director, ESC and SEESOX, St Antony's College, Oxford
Anita Angelovska-Bezhoska	Vice Governor, National Bank of the Republic of Macedonia
Jens Bastian	Senior Research Fellow, Hellenic Foundation for European and Foreign Policy
Adam Bennett	Senior Member, St Antony's College; Former Senior Advisor with the IMF
Kliti Ceca	Head of Economic Research Unit, Research Department, Bank of Albania
Belma Čolaković	Head of Financial Stability Department, Central Bank of Bosnia & Herzegovina
Gillian Edgeworth	Head of EEMEA Economics, Unicredito
Nikola Fabris	Vice-Governor, Central Bank of Montenegro
Ardian Fullani	Governor, Bank of Albania
Seppe Gijsbrechts	Albania Desk Officer, FCO
Hristo Hristev	Assistant Professor in EU Law, Sofia University Faculty of Law
Androulla Kaminara	Academic Visitor, St Antony's College, Oxford; Former Head of the European Commission Representation in Cyprus
Russell Kincaid	Senior Associate Member, St Antony's College, Oxford; Former Director with the IMF
Júlia Király	Department Head, International Business School, Budapest; Member of the Supervisory Board of the KBC Group
István Kónya	Senior Expert, Magyar Nemzeti Bank (Central Bank of Hungary)
Oleg Levitin	Senior Political Counsellor, EBRD
David Madden	Senior Member, St Antony's College; Former British Ambassador
Genci Mamani	Chief of Cabinet, Governor's Office, Bank of Albania
Robin McConnachie	Member of International Advisory Board, Oxford Analytica
Arben Mustafa	Director, Financial Stability and Economic Analysis Department, Central Bank of the Republic of Kosovo
Mariella Nenova	Director, Economic Research and Forecasting, Bulgarian National Bank
Peter Sanfey	Deputy Director of Country Strategy and Policy, Office of the Chief Economist, EBRD
Lorena Skufi	Economist, Macro Modelling Unit, Research Department, Bank of Albania
Altin Tanku	Director of the Research Department, Bank of Albania
Francisco Torres	Santander Visiting Fellow, St Antony's College, Oxford; Research Associate, ECPR and EUSA's Political Economy Section
Max Watson	Visiting Fellow, St Antony's College, Oxford; Director of Political Economy of Financial Markets (PEFM); Coordinator, Political Economy at SEESOX
Peteris Zilgalvis	EU Visiting Fellow, St Antony's College, Oxford; Head of Unit for e-Health and Well Being, European Commission

About SEESOX

South East European Studies at Oxford (SEESOX) is part of the European Studies Centre (ESC) at St Antony's College, Oxford. It focuses on the interdisciplinary study of the Balkans, Greece, Turkey and Cyprus. Drawing on the academic excellence of the University and an international network of associates, it conducts policy relevant research on the multifaceted transformations of the region in the 21st century. It follows closely conflict and post-conflict situations and analyses the historical and intellectual influences which have shaped perceptions and actions in the region. In Oxford's best tradition, the SEESOX team is committed to understanding the present through the *longue durée* and reflecting on the future through high quality scholarship.

Principle objectives:

- ✓ To support high-quality teaching and research on South East Europe;
- ✓ To organise conferences, workshops and research seminars;
- ✓ To promote the multi-disciplinary study of the region within the University of Oxford (e.g. politics, international relations, anthropology, sociology, economics) working in collaboration with other Centres and Programmes within the University, including student societies;
- ✓ To spearhead intellectual exchanges and debate on these issues among networks of individuals and institutions beyond Oxford;
- ✓ To foster cooperation between the academic and the policy making communities.



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