



Joint Vienna Institute  
Twentieth Anniversary  
Essay & Video Contest

“Training, Transition, and Development:  
The Role of the JVI”

Winning Essay

by

Ms. Albina Demollari  
Bank of Albania

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# "TRAINING, TRANSITION, AND DEVELOPMENT: THE ROLE OF THE JVI"

CREATED BY ALBINA DEMOLLARI

JVI 20th Anniversary Essay

Thinking about the role of education and training, I am reminded of a difficult situation when I was driving a car amidst dense fog down a mountainous road, not knowing what direction to take, how to raise the visibility, with only the guardrails keeping me from death. That is a situation so much resembling that of a person without education and training, not knowing what steps to take, what option to choose and on which path to make headway. That is how Albania was prior to 1990s, pursuing a wrong road, planning the economy centrally, knowing nothing about a market-based economy. That is a situation education in general, and training offered by the Joint Vienna Institute (JVI) in particular, have helped correct by enhancing the knowledge level and professional skills of public officials, helping them lift the fog of obscurity and find the right path, making transition easier and market economies flourish.

Prior to the transition years, Albanians knew nothing about liberalization, price-setting by market forces, freedom of speech or pluralism. They did not even dare to think about private property or ownership rights; the whole economy was owned by the state, and everything was controlled and planned by the government.

Fortunately, the year 1991 stepped in, bringing about inevitable and permanent changes, fundamental transformations, the dawn of a new era, marking the collapse of the centrally-planned economy and the start of transitioning to a market-based economy. It was a process that had already started in other former socialist countries and that knocked on the door of our country as well, affecting both our life and our mindset.

During the first years of transition, Albanians realized that huge transformations had to be made. The situation called for fundamental, legal, structural and economic reforms. Because Albania had been a closed country, people were unfamiliar with the advanced world and its accomplishments, and ignorant of the way market economies worked. The education they had acquired until then had laid emphasis on central planning and the benefits of common property. People opted for change and aspired to reform the wrongly-governed country and obtain membership in the united Europe, but they did not know what particular reforms to carry out, or what regulatory changes to make.

As Albania opened to the world, the awareness of the benefits of a market-based economy and accomplishments of the industrialized countries started to grow, leading to officials' pressing need for education and training in the economic arena. Trying to learn from the lessons drawn from countries that had performed better economically, feeling their progress, Albanians realized that their country's fate was in their hands. Therefore, they turned their head to the developed countries, intending to eradicate the economic and financial backwardness that had been deeply rooted for about 50 years, gain from their advanced experience and successful policies and practices, acquire best practices and standards, make the new stage produce positive outcomes and build a clear vision for the economic outlook of the country.

More specifically, Albanians turned to international training organisations, eager for knowledge about the way a market economy works, privatization is carried out, financial stability is achieved and financial products are provided. They became aware that they had nothing to invent, just to seek assistance, hear good advice and expertise, and be trained in generally accepted international standards, whose implementation would help the economy grow and the country prosper.

International training organisations, in turn, considered the urgent training need of public officials from Albania and other transition economies, and put this issue on focus. They willingly worked out comprehensive training programs and invited mid- and senior-level officials and private-sector managers from transition economies, such as from Albania, Central and Eastern Europe, the Caucasus, Central Asia, Ukraine, Russia and other New Independent States to participate in conferences, seminars, workshops, academic round-tables and constructive meetings, aiming at furnishing them with a thorough knowledge and practical skills on issues related to market economy, providing them with opportunities that would help them make their contribution to their country's successful transition from planned to market-based economy.

As a result, numerous training courses were offered by different international organisations, such as the International Monetary Fund and the Joint Vienna Institute, the Financial Stability Institute and Bank for International Settlements, World Bank,

European Central Bank, Deutsche Bundesbank, Banca d'Italia, Bank of Germany, Czech National Bank, Banque de France, the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Federal Reserve Bank of New York .... to enumerate just a few. They were delivered to eligible participants from Albania and other aforementioned countries, providing them with the opportunity to attend professional courses in various economic areas, hence developing their skills on a variety of economic issues and fostering their professional development.

Due to the pivotal role played by education and training provided by international training centres in general, Albanians have passed from a time when they were completely unaware of the risks arising from investing in pyramid schemes that eventually collapse to Albanians' growing awareness of risk-return relationships; from a time when the number of professionals was planned by the Government to a liberalized education system; from a time when private property did not exist to privatization of many state-owned enterprises; from a time when financial products were unknown to having available a wide range of financial products, hence Albanians' growing awareness of risk diversification benefits.

Having a look at the Bank of Albania's human resources database on its staff training and administering a questionnaire to different participants in training courses, one can easily recognise that among the international training centres, the JVI is highlighted as one that has unquestionably played a crucial role in economic training of public officials since 1992.

It is a valuable contribution witnessed daily at the Central Bank of Albania, an institution that marks the shift into a two-tier banking system, an institution that staffed by a great number of academics and experts trained at the JVI. The trained officials have come back well-equipped with refreshed ideas about their profession, with much inspiration, but above all with boosted practical skills and profound knowledge of economic issues, determined to contribute to this changing world.

As stated in its mission, the "Joint Vienna Institute provides instruction of the highest standard to help countries making the transition to full market-based economies".

Since its creation, the JVI has helped Albanians witness accomplishments of the advanced world and realize the clear link between training and prosperity. Moreover, it has facilitated the transition process, bringing Albanians and public officials from other transition economies together to discuss and address transition-related issues and concerns, promoting their international collaboration, involving their active participation in analysing different economic issues, getting them acquainted with successful models, helping them conduct research and put forward new plans for successfully carrying out economic reforms.

More specifically, the JVI, this international training institute that is sponsored by the IMF, the Austrian Authorities and other organizations, has tremendously contributed to preparing the Bank of Albania's staff for the new stage and for playing an active part in Albania's process. For about two decades, it has invested in Albanian officials and managers, providing them with the opportunity to participate in numerous seminars covering a large number of specialized topics, training them on an ongoing basis, expanding their professional knowledge and practical skills, bringing as an outcome fundamental changes to the functioning of the Bank of Albania and contributing to huge transformations taking place in the Albanian banking system and beyond.

From 1992 onwards, participating in JVI seminars and workshops has not only provided detailed analyses on economic issues, but also experience-exchange among central bankers, ministry of finance experts and experienced lecturers. Numerous discussions have taken place, in which dedicated lecturers have answered participants' questions about technical details and concerns related to different topics. Thanks to this cooperation and information sharing, the Bank of Albania's image has improved, the financial system has become more sustainable, the banking system has grown stronger and the economy has grown robustly.

Casting a glance at the numerous topics covered by JVI seminars, workshops and conferences, what is striking is that most of them are re-addressed year in year out, providing the possibility to deliver the same topics to other representatives, and updating and enriching them with new research findings, in line with innovations and new developments taking place in this globalised world.

Topics addressed in JVI training courses range from common transition-related issues and concerns, and ways to address them, to central banking, monetary and exchange rate policies, their implementation, transmission channels and mechanisms, all contributing to macroeconomic stability and successful transition to a market economy. It is very difficult to pinpoint the most valuable topics, as they are numerous and all highly productive. Nevertheless, I would like to highlight several of them, which to the best of my knowledge have contributed to promoting reforms and have significantly affected transformations taking place in the Albanian financial system in general and the banking system in particular.

### **Financial Stability**

During the first years of transition, central planning, though collapsing, posed weaknesses, vulnerabilities and inherited deficiencies to transition economies, which were carrying out fundamental transformations in an effort to build free-market economies.

As a consequence, the JVI has assigned top priority to financial stability. Related courses, seminars, lectures, case studies and panel discussions have comprehensively covered financial sector issues. They have furnished central bankers and representatives of the ministries of finance and regulatory agencies with information on the role and importance of financial markets, securities markets, financial instruments, pricing, risk management, market and credit risks, capital and money markets, the role of financial sector in the economy, the role of government in the financial sector, the interrelation between central banking and financial sector, lessons drawn from different crises, bank risk management models, liquidity-providing instruments, stress testing, etc., all contributing to improving financial analysis and assessment, and leading to overall financial stability.

The JVI has assisted Albania, like other transition economies, in successfully carrying out financial system reforms, resulting in innovations regarding financial instruments in particular and financial markets in general. Primary and secondary securities markets have been established; the number of financial institutions has picked up; access to

financial services has been provided even in the remotest districts of the country; the spectrum of financial products has broadened; the public confidence in the Albanian financial system has increased; the overall panorama of the financial sector has been completed; and financial stability has been achieved.

### **Monetary Policy**

Monetary policy of transition economies has evolved in line with huge transformations taking place in every country. In Albania, the early years of transition were chaotic, with pyramid schemes destined to collapse in 1997 and a galloping inflation rate, with people totally unaware of sound banking systems and products.

JVI seminars and workshops have covered a broad variety of issues related to monetary policy, considering it as a key priority for achieving and maintaining macroeconomic stability. They have gathered together central bankers from transition economies, getting them acquainted with theoretical foundations, central bank objectives and role in the conduct of monetary policy, monetary policy role in maintaining macroeconomic balances, the interrelation between monetary and fiscal policies, monetary policy regimes and so on.

Related seminars have prepared participants to assess different monetary policy regimes and put forward the most suitable one for their own country, thus highlighting price stability as the primary objective of many central banks. Thanks to such training, the Bank of Albania's officials have contributed to implementing inflation targeting in Albania, aiming at keeping inflation in check.

The JVI has also paid special attention to strengthening central bank independence through transparency and efficiency. As a result, Albanian central bankers have frequently addressed this issue and have eventually succeeded in enhancing Bank of Albania's accountability and transparency, its independence and credibility, as well as its monetary policy effectiveness. The shared experience has led to a methodology to compile the transparency index and to better communication with the broad public.

Related seminars have identified relevant factors impacting exchange rate regimes, their advantages and disadvantages, as well as the lessons drawn from countries that had already implemented a certain regime. Learning from the experiences faced by different countries in this regard, Albanian experts have succeeded in implementing a free-floating exchange rate regime in Albania, leading to reduced exchange rate volatility, strengthening the overall banking system and boosting public confidence in the Bank of Albania.

### **Regulatory Framework**

JVI training courses have greatly influenced the completion and improvement of a transition economy's regulatory framework. In Albania, they have helped in transforming the legal and regulatory framework, leading to drafting of new laws and by-laws. Major results have been achieved in terms of:

#### *Privatization*

In Albania, the JVI has contributed in drafting laws and by-laws that would lead to rapid privatization, a prerequisite for switching to a free-market economy. As a result of recommendations and knowledge-sharing provided by related JVI activities and other international training institutions, and Albanians' willingness to privatise the economy, the regulatory framework has been amended, improved and completed; different governmental institutions have been established; the private sector has started to flourish; physical and intellectual property rights have been properly implemented; and the people have become better off.

#### *Institutional challenges on the road to the European Union*

Albanians aspire for EU membership; however, they are facing various challenges related to EU integration and central bank legislation. Thanks to discussions and shared experience, the Bank of Albania's staff have put forward and encouraged initiatives leading to changes in Albanian legislation and transformations in the overall economy. As a result, Albanian legislation has been approximated to that of the EU, economic efficiency has increased, the legal and regulatory framework has been strengthened and institutional independence has been fostered.

### *Banking supervision*

The transition years posed many challenges to banking supervisors, who lacked knowledge in this regard. However, the JVI came to their assistance by providing many opportunities for Albanian supervisors to be trained in related topics, concepts, core principles and standards. As a result, they have acquired necessary qualifications and have become capable of carrying out on-site and off-site examinations. Moreover, they have succeeded in implementing core principles, improving the licensing framework, paying attention to risk-based supervision, establishing a credit information bureau, improving bank lending and credit risk management in Albania, establishing consolidated supervision and maintaining overall stability.

### *Payment systems*

Seminars related to payment systems have highlighted their importance and provided information about, for example, associated risks and e-money service. As a result of such training, Albanian officials have worked on implementing a real time gross settlement system and the Albanian interbank payment system, bringing about innovations in terms of e-banking, increasing the number of credit and debit card holders and the number of electronic transactions, curtailing the use of cash in the economy, and reducing the risk arising from the Albanian payment systems, hence furnishing our country with developed payment systems and boosting public confidence in the Albanian banking sector.

### **Institutional Development**

Related JVI seminars have trained officials in identifying economic and financial stability indicators, the way they are compiled, and the main principles and methods of their compilation. They have enhanced participants' expertise on related concepts and institutional aspects, making them better professionals, updating their information in line with new scientific findings, preparing them for a new way of doing their work, leading to comprehensive changes in the institutional framework, improving institutional capacity, hence affecting the overall institutional performance.

In this regard, it is impressive how highly professional, skilful and effective lecturers of JVI training courses, after having extracted the essence of a particular topic, organised case studies and other interactive activities, thereby involving participants in discussions about related examples, interweaving

theoretical aspects with practical ones, alluring their interest, opening their mind to multiple choices, thus making them bring to light their individual opinions, testing their knowledge level and preparing them to successfully apply the lessons drawn.

From a practical viewpoint, interactive activities have generally proved far more effective than the theory ascertained through individual reading. They have promoted analysis of transition-related issues, country-specific experiences, economic development across countries, determinants to economic policy options, and advantages and disadvantages of each option. In this way, they have broadened participants' knowledge on related issues and have contributed to shaping their overall understanding about the best choice for a specific country, making them distinguish between what is right and what is wrong.

The above-mentioned issues and numerous other activities organised by the JVI have transmitted the best know-how and expertise, the rich professional heritage, thereby making transition easier, cooperation and partnerships with foreign counterparties raised to a higher stage, best theory and practice acquired, and the benefits of market-based economy tangible throughout the country.

Actually, countries have successfully overcome their transition-related challenges; however, the JVI's role is not yet completed. Against the backdrop of fragilities and vulnerabilities posed during these hard times of global financial crisis, JVI has much work to do. This prestigious institution should respond to current developments and put forward plans for enriching the course curricula with new issues in the light of new developments and occurrences, in order to prepare course participants to professionally address current problems and concerns and help them contribute, in turn, to their countries' successful exit from the turbulence that has recently settled around the world and restore financial tranquillity.

## Conclusions

Now that the JVI is celebrating its 20th Anniversary, we are overwhelmed with gratitude and esteem for this multilateral training institute, which has played an active role in Albania's transition process and which has become a fruitful centre of experience sharing, knowledge transfer and economic and financial advice, providing incentives for furthering economic development, enhancing public officials' professional skills, making them come to the fore with novel ideas, and contributing to successful implementation of economic reforms.

Completing my imaginary journey on training, transition and development, I still find myself driving a car, up a mountainous road, full of ups and downs, full of challenges and risks, however, approaching a rising sun and gaining clear visibility amidst fresh air and a favourable climate. That is a situation the JVI's tremendous contribution has helped create in transition economies, moving them from obscurity induced by central planning to sunlight, transferring a body of professional, theoretical and practical knowledge to them. It has helped lift the shroud of fog and enhance visibility for public officials from recipient countries, making them aware of the benefits of market economies and helping them contribute to their country's successful transition from a centrally planned to a market-based economy.

It is this tremendous contribution that has made the JVI, this highly professional training centre, become a pre-eminent knowledge provider, giving people power to successfully implement economic reforms that contribute to overall development.

Considering the topic in a wider framework, I would say that training is a gift that makes trained individuals skilful and broad-minded, capable of making the right choice. It is a quality that distinguishes them from others, an attribute that makes them successful, a tool that lights up their mind. It is the light that drives them from ambitions to tangible accomplishments. It is the means that leads to further economic development worldwide.