

Kemal Kozarić: Reflections on ten years of the Central Bank of Bosnia and Herzegovina

Speech by Mr Kemal Kozarić, Governor of the Central Bank of Bosnia and Herzegovina, at the conference on the 10th Anniversary of the Central Bank of Bosnia and Herzegovina, Sarajevo, 13 September 2007.

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Ladies and Gentlemen, Governors,

From those previous presentations, you could hear about all the challenges that the Central Bank of Bosnia and Herzegovina faced during the previous 10 years. The new Governing Board and the Management, in the full capacity, have been running this institution for three years now on the same principles, committed to maintain the local currency stability and the price stability, as the most important tasks of the Central Bank of Bosnia and Herzegovina.

The transition to the local management was done smoothly, which, to be honest, we actually expected. The Law on the CBBH has defined this state institution as independent and has given us a good base for performing all the set tasks with a professional attitude and experience. The governing structure and all the staff were motivated to have the Central Bank continue to go the way of stability, safety and confidence.

The saying that confidence is difficult to gain, but easy to lose, may be the most evident in central banking, so we defined our policies very carefully in order to avoid the possibility of risking our reputation.

Applying the currency board principles, we have continued to invest, in a safe and efficient way, the foreign exchange reserves of our Central Bank and today they reach the highest amounts since its establishment (KM 6.4 billion or USD 4.4). The Central Bank of B&H, as a fiscal agent of the state, is in charge of servicing international obligations, and certainly contributes to Bosnia and Herzegovina's regular and timely servicing of all the taken over liabilities. Our institution as a fiscal agent has provided for Bosnia and Herzegovina to obtain a new credit rating which is currently B2 with a stable outlook. The successful reform of the payment system has set the Central Bank as the owner of RTGS system and gyro clearing, responsible for all the payments in real time in the country.

The creation of Single Transaction Account Registry of all legal and physical entities in Bosnia and Herzegovina is another project which was very significant for all financial sector. The establishing of the Credit Registry of Legal and Physical Entities, which is in the function of commercial banks in respect of making better business decisions, also has a preventive impact on financial stability and decrease of credit growth. By the end of the year, we will also set up the platform for inter-bank market for gyro money and cash, which will have a positive effect on daily liquidity of commercial banks and reduce the costs and increase the safety of cash transport in Bosnia and Herzegovina.

Bosnia and Herzegovina is preparing for issuing bonds to regulate the internal debt issue, primarily the issue of old foreign exchange savings. Those would be the first bonds to be issued by the state and the CBBH will participate in the process as a fiscal agent – it will carry out the settlement of securities to be issued by the state.

Today, we will sign the agreement on direct payment operations with Serbia and Montenegro, which will influence the reduction of commercial banking payment operations costs in this region.

In the previous period, the cooperation with the institutions of Bosnia and Herzegovina, primarily with the Presidency, the Parliament and the Council of Ministers, was at extraordinary level. The independence of the Central Bank of Bosnia and Herzegovina,

institutional, financial, personnel, was respected by all, which helped a lot to this monetary institution to achieve such significant results. The cooperation of the CBBH with international financial institutions, especially with the IMF, the World Bank, the BIS, the EBRD, was at a high level. The USAID was involved in the most significant projects of our institution, by helping, both in material and personnel respect, their successful completion, which we sincerely thank them for.

The Eurosystem has just finished the Central Bank of Bosnia and Herzegovina needs assessment programme. The purpose of this project is the assessment of the situation in seven areas of operations the Central Bank, with the comparison with the standards of the European System of Central Banks. The programme applies to the functions of the Central Bank related to the coordination of activities of the agencies in charge of licensing and supervision, economic analysis and research, financial stability, internal audit, monetary policy within the currency board arrangement, payment systems and statistics.

In the report prepared by the Eurosystem experts, it is stated that «the CBBH is one of the most stable state institutions and has high reputation as a professional, independent and technically efficient organization which has achieved, in the previous 10 years, a significant progress in developing functions assigned to it.» It is our objective to join the European System of Central Banks, when B&H is ready to join the European Union, and – later on – to introduce the EURO as our own currency in accordance with EU Treaty requirements.

I am using the opportunity at this conference, which is attended by Governors and representatives of central banks in the region, to point out a need of a closer cooperation of central banks which could contribute to the economic development of the region. Namely, the common long-term objective of all the countries in the region is the membership in the European Economic and Monetary Union. All the countries are on the same road to the European Union, some of them progress faster and are well ahead of other countries, while others enter a complex process of meeting the criteria and fulfilling the European standards. The Central Bank, as a unique monetary institution with the primary task to preserve the financial stability and price stability in the country, also has a very important role in European integration processes and regional cooperation. Our region has common objectives and trends, therefore it is natural that we share and exchange experiences. The central banks in the region can cooperate in numerous projects which are highly important for the economy of both the country and the region.

In the last 10 years we have tried to implement the monetary policy in a responsible and consistent manner and be a pillar for the entire banking sector and their clients. Our goal was to in a transparent way establish the communication with the public by organizing press conferences, through press releases, regular presence in the printed and electronic media, and by issuing bulletins and periodic reports. I am using this opportunity to thank also the representatives of the media for their professional and objective reporting on the activities of the CBBH.

I wish to thank also the previous and current Governing Board for their full support in strategic principles of the CBBH, and to all the vice governors for their significant contribution to the achieved results and to all the employees.

In the end, as you know, many foreigners have spent certain periods in Bosnia and Herzegovina. Although I appreciate the contribution and engagement of all of them, the fact is that we quickly forget many of them. However, it is sure that the Central Bank of Bosnia and Herzegovina will never forget the engagements of Mr. Serge Robert and Mr. Peter Nicholl. I wish to thank Mr. Robert, who, unfortunately, is not here today because of illness and thank you Mr. Nicholl for everything you have done for our institution.

Thank you all for making our anniversary even more important with your presence, and I wish the guests from other countries to have a nice time in Sarajevo and Bosnia and Herzegovina. Thank you for your attention!