

Vittorio Corbo: Farewell speech as Governor of the Central Bank of Chile

Speech by Mr Vittorio Corbo, Governor of the Central Bank of Chile, on his departure from the Central Bank of Chile, Santiago, 6 December 2007.

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Everything comes to an end.

Today I complete my term as the Governor of the Central Bank of Chile, a post for which I was appointed on May 1st 2003 by the then President of the Republic, Mr. Ricardo Lagos.

I want, first of all, to especially greet José de Gregorio, the new Governor of the Central Bank of Chile, who I am sure will lead this beloved institution through the roads of professionalism, independence and strength it requires for the good of the country and all Chileans.

This is a very propitious opportunity to wish him great success in this great task. From the Board and as Vice-Governor, José has been a very relevant factor in the advances and accomplishments that our institution has made in the past several years.

In his new position, he will be backed by a first-class Board and staff of high technical and professional level, capable of assuming with rigor and efficiency the Bank's mission.

I also want to acknowledge my fellow Board members who accompanied me during this period. Being it a collegiate entity, nothing would have been achieved without their active cooperation.

And I want to greet Sebastián Claro, the new Board member of the Bank, who I am sure will quickly be immersed in the spirit prevailing in this institution.

I believe that everyone here today share a legitimate pride because of the place this Bank has achieved both in the Chilean society and at the world level.

Let me tell you what happened to me four years and seven months ago, when President Lagos asked me if it would be a problem to me to be appointed Board member and Governor of the Central Bank for such limited period, which was the remaining of the term of my predecessor, Mr. Carlos Massad. I replied that it was not a problem, because it gave me time enough to propose and develop an agenda.

It is no secret that I came to an institution that was living a crisis. My predecessor, in an act of great integrity, had chosen to resign in order to avoid the criticism that was building up against the Bank from affecting its institutional capital irreparably. I was aware then that, by accepting the post, I was assuming an enormous responsibility, which consisted essentially in protecting and strengthening its institutional capital.

It was, therefore, a major task, that started precisely by introducing policies of risk-management, transparency and efficiency that would protect the Bank's institutionality and autonomy. In global terms, it was tantamount to placing the Central Bank at the same level in management as it was in monetary and financial policy matters. I can say with satisfaction that it has been materialized during my period and it is also largely stated in our strategic plan for the period 2006-2008.

We then proposed to implement a risk-management culture, strengthening the work of our Comptroller department to operate by international standards in matters of internal control, risk management and corporate governance.

We gave it tools that grant increased autonomy and efficiency. Today the Board receives also specialized advisory on the matter, through an independent audit and compliance committee, made up by highly qualified members. All of this has helped to improve our accountability and safeguard our autonomy.

In addition, to strengthen the Bank's autonomy, this process had to come hand in hand with necessary advancements in access to information, in matter of transparency and in communications, both internal and external.

I can say today, on the day that I leave, that I feel satisfied with our advances in internal management, of administrative, human resources and risk-management aspects, all under the framework granted us by our Constitutional Organic Law that sets clearly defined objectives and corporate governance. I sincerely thank the Bank's staff that took in these changes with responsibility and understanding and made them their own.

The Central Bank of Chile supports its stronghold in the institution's credibility and reputation. This can only be built with the rigorous and careful work of all the people that work in it.

For this reason, parallel to decisions adopted with respect to internal management and the promotion of a risk-awareness culture, we continued to work on strengths already present in key areas of the Bank, namely the Research, Financial Policy and Financial Operations Division.

In this sense, it is good to recall the whole process of reorganization introduced by the Board to improve the Bank's efficiency, taking advantage of economies of scope and reducing transaction costs.

Our policy of transparency and diffusion crystallized in the creation of a Department of Communications, that later evolved into a Department of Institutional Affairs and a Department of Communications Advise, with the purpose of providing an organized structure to all the information that stems from the Central Bank of Chile and that is intended to emphasize equity and depth in the delivery of information, as well as to give the Chilean people a boost in their knowledge of economic matters.

Regarding internal management, we have perfected a human resources selection mechanism through external head hunting firms for managerial posts, and open, informed contests published on the website for other job positions.

We have made great progress in our job appraisal policies, compensation structures to every employee and the setting of clear, measurable goals for levels 7 and up of the organizational chart. Along the same lines, we have recently approved new labor policies oriented at integral development, in order to contribute to the institution's increased efficiency in achieving its goals and the personal fulfillment of the people who work in the institution. We have also advanced in a technological leveling project and we have implemented three-year periods for strategic planning.

I am also proud to have presided over the Central Bank during a period where the average annual inflation rate was 2.8%, and was most of the time within the established tolerance range and where the functioning of internal and external payments was totally normal. These are the objectives set forth by our Constitutional Organic Law.

Unfortunately, the unusual increases in the prices of foods and energy pushed annual inflation above 7% toward this year's end. This should be a transitory rise in inflation that will fade away in coming quarters, conditional to annual inflation expectations remain anchored around 3%.

It is not pleasant to leave the Central Bank with such a high inflation figure. But I understand that it is a circumstantial development that is part of the job, and that the highly qualified Board and staff will take the appropriate decisions to achieve the objective to return inflation to 3% within the habitual policy horizon.

We have applied an effective monetary policy that has become a powerful countercyclical tool, in light of the experience of recent years. But it would be of little use if we did not rely on the responsible fiscal policy that Chile has applied.

During my term, I was lucky to work with two top-level finance ministers, with whom I always had very fluent communication in the subjects of common concern.

Both of them understood, among other issues, the importance of capitalizing the Central Bank to strengthen its equity situation, an agreement that was finalized with the special support by Finance Minister Andrés Velasco, whereby the Bank would be capitalized at a pace of half a percentage point of GDP per year over a period of five years.

I was able to maintain the best institutional relationship with Congress. During my administration I had the chance to work with four Senate presidents – senators Andrés Zaldívar, Hernán Larraín, Sergio Romero and Eduardo Frei Ruiz Tagle – and with presidents of the Finance Commission Alejandro Foxley, Carlos Ominami and Camilo Escalona. Our relationship was always cordial and with strict observance of the provisions set forth in our Constitutional Organic legislation.

Today we must all feel proud of the place that the Central Bank of Chile now occupies in the international scene. Several measurements rank us today among the best evaluated institutions among central banks around the world in various aspects of our day-to-day operation. This is the fruit of a serious and very patient work that requires dedication and effort.

I have also the satisfaction of having helped to complete the process of entry of the Central Bank of Chile as a member of the BIS (the Bank for International Settlements), and of having led a campaign to have smaller countries and those admitted in September 2003 participate in its bimonthly meetings on the global economy. This campaign succeeded thanks to the support of Jean Claude Trichet, Cristián Noyer, Tim Geithner and especially Jean-Pierre Roth. As a result of this campaign, aside from Chile, countries like Norway, Denmark, Greece, Finland, Israel and New Zealand were able to also integrate the discussion on the global economy.

Those meetings gather central bank governors of the main economies of the world, and are a great opportunity to be updated on the evolution of the global economy and strengthen the networks for interaction across central bankers.

Internationally, I must also mention the great recognition that has the work of our Central Bank in other central banks and in international forums.

Dear Board members, executives and all the staff:

I want to tell you all that I am deeply grateful for having had the opportunity to serve my country from this position. It has been a true privilege, especially for the opportunity that provided me to strengthen this institution and in this way to contribute to build the great reputation that this institution has today in the country and elsewhere. Traveling abroad as the Governor of the Central Bank is a great satisfaction because of the way our country is seen and respected. I have been the recipient of frequent praise for our country and for this Central Bank, which is the merit of each and every one of you.

I have been lucky to have also had the unconditional support of my family, who has had to endure the heavy burden that this responsibility has placed on our lives.

It is true that I would have liked to end my term with an inflation rate within the target range. Sadly, some circumstances beyond our control have made it impossible. But I am certain that this is a temporary phenomena and that the Central Bank is very well prepared to comply with its price stability objective.

On my part, I leave with the satisfaction of having contributed to the strengthening of this institution, so transcendental for the development and the welfare of the Chileans, to make it more credible, robust and efficient, but also more human, to earn prestige for our country and at the same time make it a great place to work in.

Here we have people of the top level, individuals with a long trajectory and also with promising future. I ask you now to continue strengthening this institution to raise it to ever higher positions.

I am grateful for all the support that the Board has given me throughout my period as Governor; I thank every manager, head of department and all the staff, from the highest to the lowest rank, for your patience, but above all, for the appreciation and affection you have shown me, especially in these last days.

I take with me beautiful memories of all these years, which, I assure you, I will never forget.

Thank you.