

Ivan Iskrov: Bulgarian National Bank – independence, predictability and transparency

Speech by Mr Ivan Iskrov, Governor of the Bulgarian National Bank, before the 41st National Assembly of the Republic of Bulgaria on the occasion of his election for a second term of office, Sofia, 26 August 2009.

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Ms. Speaker, Ladies and Gentlemen MPs,

Allow me first and foremost to thank you for the enormous trust and the strong support you just now gave to the Central Bank and its Governor, Ivan Iskrov. I don't know of any head of any public institution that has so far enjoyed such a vast parliamentary vote of confidence with the support of 195 MPs. This result exceeds the 165 votes in support of my nomination in the previous 40th National Assembly.

When a week ago I shared with the person closest to me that I had decided to use the parliamentary case of Mr. Nenovsky to submit myself to a confidence vote by the 41st National Assembly, I heard the following: "Isn't this step rather too risky, besides the Prime Minister publicly announced that he did not approve of the procedure but he respects the BNB as an institution, and highly values you as a governor and wishes you to continue on the post?" I replied that no one could predict the possible deliberations and how the 240 MPs would vote, but that I was nonetheless obliged to ask for their confidence. Or else on 9th October this year I leave!

Because, Ladies and Gentlemen, as I have repeatedly shared with my colleagues at the Bank, when requiring the tasks to be performed with 100% precision, rather than in a slapdash manner, we in the central bank have an asset even more valuable than its international reserves. This key asset is the reputation of the BNB and of each of its employees. I promised to your colleagues of the 39th National Assembly that I would never take part in fruitless discussions, neither would I refute any possible silly allegations of dishonourable people or of unqualified "know-it-all" experts. The people around me, however, know how painful it was for me to bear any stupidity or slander, not for my own credibility but for the confidence the Bulgarian society should have in our National Bank.

The BNB is de jure and de facto the most independent public institution; it owes its independence to you – the elected representatives of the people, and reports only and solely to you, to the Bulgarian National Assembly. Therefore I felt I needed to have again assurance of your confidence after such a long and fierce pre-election competition.

Dear Ladies and Gentlemen MPs,

Only two months ago in this hall I reiterated, and I would like now to reconfirm, the three key principles I have abided by since 2003, for which I will try hard to be remembered as characterizing my work at the central bank – independence, predictability and transparency. Throughout my whole first term of office I followed these principles, and today I would like again to state that my second term of office will be governed by the same principles. I have permitted no political interference in the activities of the Bank, which is a fundamental principle underlying the Law on the BNB and the Treaty on the accession of Bulgaria to the EU. I will not allow any political meddling in the work of the BNB in my next term of office. I highly appreciate the first words of the newly elected Speaker of the 41st National Assembly at our first meeting: „Mr. Iskrov, we are well aware of the Law on the BNB, of BNB's key role for the financial stability in the country, and in spite of our disagreement with the early timing of your reelection, no one questions the independence of the central bank. This is a question of principle, on which there is no argument". These were Ms. Tsacheva's first words, and I am really grateful to her for them.

Independence should certainly not be an excuse for idleness or work not done. I would emphasise once again, just as I have so far worked with two Bulgarian Governments and all legitimate political parties and their representatives regardless of the political spectrum they belong to, so they too can count on BNB's expert advice and support in the future. Every one of you is welcome to the Central Bank to discuss any issues as long as this is in the interest of the stability of our country, and the banking system in particular.

Dear Ladies and Gentlemen, finally and in the context of everything said by me and by the speakers before me during this debate, I believe that now the most important thing as regards the country's macroeconomic and financial policy is preserving stability and ensuring predictability; predictability, because the global financial and economic crisis has shown that countries, which follow stability-oriented and consistent macroeconomic policies are going less painfully through this difficult for all countries period. The BNB's role is to secure the country's price and financial stability and the soundness of our strictly regulated banking system. Over the next six years the focus of my work will be on preserving and maintaining the macroeconomic stability in the country by keeping the fixed exchange rate and the currency board arrangement. The currency board will continue as the foundations underlying the stability and economic growth in Bulgaria. Second comes preserving and maintaining the stability of the banking system. Over the last two years, we have been witnessing globally the catastrophic consequences of poorly regulated and supervised banking and financial institutions. Bulgaria too was affected, but unlike some other countries it stayed outside the centre of the storm due to the consistently implemented conservative model of licensing policy, supervision and regulation of the banking sector. Over the next years, supervision and regulation within EU will change and improve significantly with the ECB and NCBs playing an important role. Being part of ESCB, BNB is going to take an active part in the process. Third, the next six years will be crucial to accomplishing one of the country's major commitments stemming from the EU accession Treaty, namely the adoption of the euro as a national currency. The preparation for this has been a priority for the BNB over the past six years with a significant part of the work in legal, technical and operational terms having already been completed. This task will continue as a major priority in the next six years. Adopting the single currency by an EU member state is not and cannot be a unilateral decision. In addition to fulfilling the Maastricht criteria, we should also be able to convince all our EU partners of our readiness and capacity to be part of the euro area. This is why the BNB and its Governor need the utmost confidence; this is why I resigned to make it easiest for the Parliament to take a decision.

In conclusion, demonstrating effectively compliance with the principle of predictability, I am going to submit to the Office of the Speaker of the National Assembly a nomination for the election of a Deputy Governor in charge of the Issue Department as this Deputy Governor's term of office expires on October 22. I appeal for this decision to be made this week, if possible, for the sake of assuaging all concerns regarding BNB's governance.

Ladies and Gentlemen, thank you very much for the confidence I've been given.

Thank you for your attention.