

Gertrude Tumpel-Gugerell: European Union funded cooperation programme between the European Central Bank and the Central Bank of Bosnia and Herzegovina

Introductory remarks by Ms Gertrude Tumpel-Gugerell, Member of the Executive Board of the European Central Bank, to the press conference on the announcement of the European Union funded cooperation programme between the European Central Bank and the Central Bank of Bosnia and Herzegovina, Sarajevo, 15 March 2010.

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Dear Governor Kozarić,
Dear Ambassador Kourkoulas,
Ladies and gentlemen,

It is a pleasure for me to be back in Sarajevo. My last visit was in 2007, when I attended a conference hosted by Governor Kozarić in celebration of the tenth anniversary of the Central Bank of Bosnia and Herzegovina. Today we have the pleasure to announce the start on 1 April of our second technical cooperation programme, through which we will further the European integration project in the area of central banking. We are very pleased to be working in close cooperation with the Central Bank of Bosnia and Herzegovina and welcome the opportunity to further intensify this cooperation.

If we look back over the last couple of years, the Central Bank of Bosnia and Herzegovina was the first central bank of the current candidate and potential candidate countries for joining the European Union to work closely with the ECB and partner central banks on a needs-analysis project. This work was carried out in 2007 and resulted in a list of recommendations on how to bring the Central Bank of Bosnia and Herzegovina into line with EU central banking standards. Today, the Central Bank of Bosnia and Herzegovina is again taking the lead: it is the first central bank to announce a programme of technical cooperation following an earlier needs analysis.

I would like to express my gratitude to the Delegation of the European Union to Bosnia and Herzegovina for supporting this programme, during which the European Central Bank (ECB) and seven central banks of the euro area will be working closely with our colleagues at the Central Bank of Bosnia and Herzegovina. I am sure we will, as usual, enjoy a very fruitful working relationship with our colleagues at the Delegation.

We at the ECB, along with our partners, have a keen interest in Bosnia and Herzegovina, in the Western Balkans and in the EU's neighbouring countries more generally. Our economies are closely linked, as are our cultures and history. The financial crisis has been a clear sign that we live in an integrated international economy, where banks and other financial institutions operate across borders and where the markets for financial instruments are truly global. Many of the banks that operate here in Bosnia and Herzegovina are owned by banks from the European Union.

Links between financial institutions and in particular ownership links have for years been considered to be a stabilising factor. The new phenomenon of banks from the old EU Member States taking over or setting up banks in the new Member States or in the Western Balkans was considered good for the transfer of know-how. The solid capital base of the parent institution and its ability to support the subsidiary in case of difficulties in the local market were highlighted as other advantages of such ownership. The current financial crisis has shown, however, that these links can create spillovers and that these spillovers between entities in a group can go both ways.

In Bosnia and Herzegovina, we have seen a rather stable development with, so far, no apparent destabilising effects resulting from such ownerships. I believe that there are a

number of reasons for the success in maintaining stability. First, I think we have to recognise that the authorities in the countries hosting subsidiaries of banks from the European Union have applied and ensured compliance with adequate prudential rules that did not allow local banks to be highly leveraged. Second, the so-called “Vienna Initiative” or European Bank Coordination Initiative under the leadership of the IMF, [in which the ECB participates as an observer,] has been an important instrument for continuing the support of subsidiaries, and maintaining the functioning of local markets. Third, I believe that the good relationship between central banks and supervisory authorities has been instrumental in maintaining an open dialogue and in identifying solutions where such solutions were needed. Overall, let me emphasize that we have to remain vigilant and attentive to financial stability. We must work together to find the best solutions. These have to be global and regional; they certainly cannot be national in an integrated market.

Let me now say a few words about the programme of technical cooperation with Governor Kozarić and his team that we are announcing today. We are very pleased that you, Mr Governor, on behalf of your board and staff, have invited the Eurosystem to work with you again on this technical cooperation programme. The aspirations of Bosnia and Herzegovina to join the European Union and its status as a potential EU candidate country imply the need to adapt to EU rules and standards. Once the overall conditions are met and Bosnia and Herzegovina joins the European Union, the Central Bank of Bosnia and Herzegovina will join the European System of Central Banks, and it is therefore also important to continue working towards compliance with the standards and rules relating to central banks.

We have seen a lot of progress on many of the recommendations made by us in 2007. One example is the publication of a financial stability report, which you have today on your website. The areas for this upcoming technical assistance were identified by you. Your management and staff have been working closely with the ECB’s project management team – present here today – to define your specific goals and the working methods you will use. I think that the programme that will start on 1 April is very ambitious and I am confident that, together, we can achieve what we are setting out to do.

During the next 18 months you will be working closely with experts from the ECB as well as with experts from national central banks of the Eurosystem. I am very pleased that we have found leading experts who will be able to support you in the areas of your choice.

What will we be working on? First, there are three areas that were covered during the needs analysis programme: statistics; economic analysis and research; and financial stability. Then there are the new areas: these relate to legal harmonisation, improvements in your IT resources, and coordination of your integration with the EU.

There will be a need to coordinate efforts in the six different areas and for expert support in some areas on a day-to-day basis. This will be the main task of Ms Mara Vyborny, a central bank expert with experience from the Oesterreichische Nationalbank and the European Central Bank, who will be our Resident Programme Coordinator here in Sarajevo. Mara is here today, and I would like to wish her every success in this undertaking.

The analysis of the Central Bank of Bosnia and Herzegovina’s current status in relation to reaching the targets of the programme and the ensuing guidance on how to do so will be carried out and provided by the ECB, together with colleagues from the national central banks of Germany, Greece, Spain, Italy, the Netherlands, Austria and Slovenia. I would like to warmly greet the representatives from several of these participating central banks who have accompanied me here today.

As was the case when we worked together in 2007, I am sure that we will find you, Mr Governor, and your staff to be highly motivated partners. From our side, rest assured that you will be able to rely upon our commitment and enthusiasm, both on the part of the ECB and of the partner central banks and their respective experts.

I would like to wish all parties involved the very best of luck.