

Ivan Iskrov: Bulgaria and the Francophonian movement

Speech by Mr Ivan Iskrov, Governor of the Bulgarian National Bank, at the opening of the 13th Annual Meeting of the Governors of the Central Banks from the Francophonian countries, Sofia, 12 May 2006.

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Dear Governors,
Dear Ladies and Gentlemen,
Welcome to Bulgaria, one of the oldest countries in Europe!

It is a pleasure and honour for me to open the 13th Meeting of the Governors of the Central Banks from the Francophonian countries. I am also very much flattered by the fact that this meeting is for the first time held in a country from Central and Eastern Europe and it is precisely the Bulgarian National Bank's privilege to host such an event. This is also the year of the centennial anniversary of the birth of Leopold Cedar Senghor - the founder of the Intergovernmental Francophone Agency and the conceptual father of the Francophone Movement (La Francophonie). Tomorrow, the conceptual father of our gatherings and ECB honourable President, Jean-Claude Trichet, will join us.

The fact that the BNB hosts this meeting is not only the result of the formal acceptance of Bulgaria to the Francophonian community in the early 90-ies of the past century. The French language and culture made their way into the country already in the first half of the XIX century when we were still part of the Ottoman empire. The channels of this penetration were similar to those observable today – through Bulgarians studying in Belgium, France and Switzerland, and through trading in goods. These initial contacts had a very strong impact on the subsequent formation of the modern Bulgarian State and its institutions.

The Bulgarian National Bank, being the first public institution established after the restoration of the independent Bulgarian State, was strongly influenced by the economic and cultural relations with the Francophonian world already established. On the day of founding of the BNB on January 25, 1879, its capital was subscribed in French Francs. The subsequent reforms of the Central Bank, the Ministry of Finance and the financial system in the country drew on the experience of Belgium and Switzerland, as well as on the knowledge and expertise of a great number of French advisors.

The Francophonian movement in the period after the restoration of the Bulgarian State until the beginning of the World War II was further strengthened and expanded by the great number of Bulgarians who studied in Belgium, France and Switzerland. Especially telling of the scale of this process is the number of the senior managing officers in the area of finance and banking who graduated in countries from the Francophonian world. Of the sixteen Governors of the Bulgarian National Bank who managed it during the period from its foundation to the Second World War, eight received their higher education in economics, political science and law in Belgium, France and Switzerland, or specialised there. In the same period, thirty-two people held at different times the position of Minister of Finance, of whom nineteen graduated or specialised in these countries.

Today, many Bulgarians continue studying the French language and culture in our schools or receive their education in Francophonian countries. They are part of the 175-million French-speaking community and in addition to the common language they are part of a common culture, which extends to all spheres of our life. I am proud that part of these people work in the Bulgarian National Bank and contribute a lot to the success of our institution.

The increased economic and financial interrelatedness and interdependence of the countries call for ever-greater co-ordination of the economic and financial policies of the individual governments. The establishment in the 90-ies of the past century of the principles of free movement of goods and capital increased the interdependence of the financial systems across countries, so that financial stability is no longer a national but a global issue. The significant participation of foreign capital in the banking system of a country and the massive movement of capital, largely contributing to the formation of serious imbalances, changes significantly the understanding of systemic risk and the approaches to its assessment.

The above process of interrelatedness of the banking systems of individual countries necessitated the adoption of new principles of surveillance over the banking sector, as well as analysis and control of the risks arising from the ever-increasing interrelatedness between the banking sector and the other segments of the financial market. The implementation of Basel II will pose a challenge to the entire

financial community, while for the newly emerging economies this process will be a serious test since their banking systems are very much open. The discussion of the common supervisory framework also brings forward the question as to what extent the high rates of growth of credit for the private sector, globally, and in many of the dynamically developing countries, in particular, poses a risk to financial stability and how much supervisory policy could be used as a tool for solving this problem.

The process of financial sector globalisation, which I already mentioned, raised for many countries the issue of choosing between either following a national monetary policy or joining a monetary union and carrying monetary policy to a supranational level. The experience of a successful realisation of the Economic and Monetary Union in Europe, as well as the experience of the countries from the area of the Frank are a good practical example for all of us about the potential advantages and challenges associated with a country's participation in a monetary union.

Taking monetary policy to a supranational level is inevitably related to providing greater independence for the national central banks and delegating certain powers at a supranational level. In the democratic world, the independence of conducting policy on the part of central banks is inseparably linked to the higher degree of their transparency and reporting. Of course, striking the right balance between these three principles is a process related to the economic and political traditions of individual countries.

The issues I touched upon are important for the operation of any modern central bank. Today, I am particularly happy with the fact that these issues will be discussed within the club of the Francophonian central banks, where we have a very broad set of traditions, experience and knowledge. I believe that we are going to have a useful and fruitful discussion.

Thank you for your attention!