

## Radovan Jelašić: Serbia in transition

Speech by Mr Radovan Jelašić, Governor of the National Bank of Serbia, on the occasion of celebrations of “St Vitus Day of Diaspora in Serbia”, Belgrade, 29 June 2007.

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Ladies and gentlemen, Mrs Cubrilo,

It is a great pleasure to me to greet you all on behalf of the National Bank of Serbia on the occasion of the traditionally organized celebrations of “St Vitus Day of Diaspora in Serbia”. Serbia is in a whirl of change and you are the ones who can best see effects of transition and judge what next Serbia has to do to regain its rightful place among the moderately developed countries.

Allow me to begin by “reporting” the results achieved over the last year:

1. Price stability – Last time Serbia recorded a 4.4% rate inflation was in the bygone 1963. In the meantime, we have grown so used to the abnormal inflationary environment manipulated by the state to cheat on its citizens and to scoop additional tax revenue that it feels almost strange now that inflation is suddenly gone. As for our dinar – the very image of our country – it has never felt freer floating along other currencies. Foreign exchange reserves are at their record high of US\$ 12.2 billion and the price of capital, though slowly, is doubtless falling in contrast to its price in countries whence you came where such price, though slowly, is doubtless rising! If not this year, I hope to see these two sets of lending rates meet half way within the span of the next 3 to 5 years.
2. If there is anything in Serbia now that resembles European Union, it is the banks – 80% of the banking sector is in foreign majority ownership, with foreign meaning EU countries. Just as we are unable at the moment to use our bank account in Frankfurt to effect transactions in Paris – though both accounts are in the same currency – so shall we be able to have a single account for transactions across the whole of Europe only once Serbia joins European Union and banks set up their branches in Serbia instead of daughter banks. In the meantime, our payment cards are accepted at 1,800 ATMs and over 50,000 POS terminals.
3. As for the rest of the financial sector, insurance companies, voluntary pension funds and leasing companies – a notable step forward has also been achieved.

Transfer of remittances from abroad represents one of the key pillars of macroeconomic stability of Serbia and reached USD 3.02 billion in 2006, which is almost half the value of total exports of Serbia over the same period. In the course of last year, two institutions engaged in a comprehensive analysis of the types, levels and frequency of such transfers. The World Bank staff analysis focused on the transfer of remittances from Germany to Serbia while EBRD and the Government of Switzerland placed the emphasis on such transfers from Switzerland. The key findings of both studies are as follows:

1. Serbian diaspora is among the most numerous in each of the above countries. Data for 2004 rank Serbia number 11 in terms of the volume of remittances transferred (US\$ 4 billion).
2. Majority of remittances, up to 80%, is transferred by informal channels, mainly via friends or bus drivers, who often charge for such services, and only a lesser portion, mainly retirement pays, are transferred via bank channels.
3. Remittances are mainly spent to cover basic living expenses to raise the standard of living of the recipients above the poverty line and are not part of total savings nor invested in the development of the country.
4. There is no strategy planned with regard to the use of such remittances nor are those funds included in investment projects.
5. Transfer of money via banking channels is still expensive and slow and sometimes takes as long as five days. Plus, banks in Serbia are not very much interested in attracting those transfers.

With the kind of organization of money transfers from abroad that we currently have in Serbia, it is soon going to be cheaper to fly to Belgrade by low cost airline than to send money via bank channels!

This is exactly the domain of interest that the NBS is currently exploring and I hope to be able next year to inform you that we have not only established fast and efficient ways of money transfer but also that it will have become cheap, even several times cheaper than it is today. We are currently working along two parallel lines. With one mobile operator in Serbia we are trying to organize money transfers via mobile phones and money withdrawals via payment cards. The other system is similar to the classic transfer of remittances and payments would also be received by using payment cards in Serbia. Both of the above systems imply use of the DinaCard system and crediting of accounts literally within minutes.

Finally, let me address those who are still interested in returning to Serbia after many, many years of staying away, to keep me company here and be my allies in the process of transition which is obviously not as easy as we thought it would be back in the year 2000. In late March this year the NBS organized a gathering in London of about one hundred Serbs who are employed in the most prominent financial institutions of the UK capital. I must admit that it was only then that I fully realized where the really very best have gone. But, the times are a-changing, Serbia is taking big strides towards the European Union, standard of living is improving and there are ample professional challenges around. We have managed to persuade some of those young professionals to come back to Serbia and work in the National Bank. Let me emphasize again that the doors of our Bank, and the doors of my Office are kept wide open to all who wish to work for Serbia and not only make profit in Serbia!!!