

Anita Angelovska Bezhoska: Strengthening of the institutional capacity of the NBRNM in the process of its accession to the ESCB

Speech by Ms Anita Angelovska Bezhoska, Governor of the National Bank of the Republic of North Macedonia, at the opening conference of the Twinning Project "Strengthening of the institutional capacity of the NBRNM in the process of its accession to the ESCB", Skopje, 30 October 2019.

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Your Excellency Gerberich, dear Mr. Janmaat, Secretary Vučić, representatives of the central banks of Germany and Croatia, ladies and gentlemen,

It is my great pleasure to address you at today's event to mark the launch of a particularly important project that we expect to contribute to our further profiling as a modern central bank, with strong capacity and readiness to join the European family of central banks.

The European Union has been important institutional, economic and political benchmark for us from the outset of the transition process. The EU pre-accession process itself provides key tools that support and reinforce the reform process in a country aspiring to full membership, thereby strengthening its institutional capacity and economic foundations. Faster institutional and economic convergence, including faster convergence to the European central bank values, will also mean faster integration into the European family.

That is why we, at the National Bank, have been strengthening our capacity through various modalities, often with direct EU support using the available tools. Active use of TAEX programs and direct bilateral cooperation with EU central banks are just some of the modalities used to strengthen our infrastructure in various operating segments. In this light, I think it is worth recalling the 2012 IPA project whose primary purpose was a detailed screening of our compliance with the European legislation and practices and a clear identification of gaps. I am pleased that today, thanks to the commitment of my colleagues, many of the gaps identified during the project have already been filled. In today's dynamic environment, however, where European legislation is undergoing major changes, harmonization with European standards is an ongoing process that implies permanent strengthening of the institutions' capacities.

On behalf of the National Bank, I sincerely thank the EU for standing behind us and our efforts for further alignment of the rules, policies and operations with the European standards, with a view to further strengthening macroeconomic and financial stability. By supporting this project, we have been given confidence that we will undoubtedly justify by delivering concrete results. Project activities encompass four central banking areas. And it is particularly important that in the aftermath of the global economic crisis, these areas underwent major changes globally which pose new challenges for central banks.

The first component includes payment services and payment systems - an area where the frequency of financial innovations is the greatest, which makes the challenges extremely high. The activities will be largely focused on drafting of the new law and the new bylaws on payment services and payment systems – in cooperation with the Ministry of Finance. The new regulation will entail transposing the latest European legislation in this area and setting grounds for significant changes to our payment landscape. Opening the door to fintech companies will provide opportunities to strengthen competition in the payment services market, and thus to enrich the offer of new, innovative and easily accessible products at a competitive price.

Reflecting on the scope of this project, we have had in mind that, inter alia, the recent global economic crisis has clearly demonstrated that macroeconomic stability does not necessarily

ensure financial stability. It acknowledged though that financial instability has long-term adverse effects on economic growth and macroeconomic stability. This explains the large step taken by the EU - a banking union set up on two pillars: the single supervisory mechanism and the single resolution mechanism. Undeniably, countries heading towards the EU and the European Monetary Union will have to work hard to harmonize the supervisory setup as well as other institutional and structural elements relevant for the smooth financial sector functioning.

Therefore, the second component addresses the banking regulation and supervision and aims to improve our supervisory capacities. Upon significant alignment with the European capital requirements, the focus will now be on the process of managing liquidity, but also on strengthening risk management in general, especially credit risk, which given the structure of banking activities is the most significant risk in the banking book. Project activities are in line with the latest Joint Conclusions of the economic and financial dialogue with the EU and among other things are aimed to further reduce non-performing loans, i.e. improve the quality of banks' balance sheets, which is important prerequisite for stronger credit support.

I am pleased that this project validates our strategic goal of providing quality statistical data, fully compliant with international and European statistical standards. Specifically, the third project component focuses on the further development of financial account statistics, which is key to identifying cross-sectoral linkages within an economy and thereby identifying any possibility of spillover of shocks from one sector into another. Recently, we have taken a number of activities in this segment. Almost two years ago, we made our first data transfer of the annual accounts - stock to Eurostat, and in April last year, we prepared detailed data on the flow of assets and liabilities for the government sector, which is one of the key components in compiling spreadsheets for the excessive deficit procedure (EDP). The project activities will be aimed to further improving of the quality of this statistics, especially given that its first release is scheduled for next year.

For us at the National Bank, the achievement in the fourth component - research, knowledge and skills in policy analysis - will be of immense importance. Emphasis will be on assessing the relationship between real and financial cycles and identifying the implications of financial factors for the economic fluctuations in the Macedonian economy. This topic has been particularly relevant since the outbreak of the global economic crisis, and undoubtedly, analyzing it will improve the recommendations of decision makers.

Distinguished guests,

It is a great pleasure for us to partner with the central banks of Germany and Croatia in delivering such a large and significant project. I thank them for being part of this project and for supporting us in the process of European integration.

I also thank the central banks of Belgium, Lithuania, Portugal, Romania and the Netherlands who have also accepted to support our way towards European values. I believe in the not too distant future we will be partners not only in implementing projects, but also equal partners in the creation of European standards in central banking.

Finally, let us remember what Robert Schuman said in the 1950 Declaration, "Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity." I hope that the achievements we make during the project delivery will reaffirm our readiness to be active and beneficial participants in the further construction of Europe.

Thank you for your attention.