

Speech of the Governor on the occasion of the 20th anniversary of the CBK

Honourable...

It is my great honour and pleasure to welcome you today for marking the 20th anniversary of the establishment of the Central Bank of the Republic of Kosovo.

It is my great pleasure to have representatives of local and international institutions among us today, without whom it would not be possible to achieve the successes we have achieved to date. Therefore, on behalf of all CBK staff and on my behalf, I would like to express my heartfelt gratitude for all that you have done for us over the years and for the honour you have done to us by joining us in marking this very important anniversary for us.

To better understand the situation we are in, and the way we are heading, it is a good idea to go back a little retrospectively to remember how we got here, and to use the past as a driving force to move towards a more successful future.

The Central Bank of the Republic of Kosovo was established in 1999, at a time when Kosovo was beginning to build all institutions from scratch. Along with the establishment of institutions, the foundation of the market economy in our country was also beginning.

CBK as a new institution, in spite of the great efforts to organize the institution itself, where everything was starting from scratch, began to commit itself towards building the financial infrastructure necessary to create the conditions for the financial system to start functioning in Kosovo. This way, the CBK soon began the activity of building the payment system, formulating the regulatory framework for the financial sector, and developing other functions necessary to serve the country's economy.

The beginning of the CBK's operation coincided with the time when most of the countries in the region were about to complete the transition process, where the omissions made at the beginning of this process, made the transition lengthy and difficult.

CBK showed high diligence and learned from the difficulties that other central banks of transition countries went through, and chose the model that proved successful in developing an efficient and sustainable financial sector. In this way, CBK laid the foundations of a financial system based on private ownership and from the beginning opened the doors for the entry of foreign financial institutions. In fact, it was foreign financial institutions, especially banks, which first started operating in Kosovo, bringing contemporary financial industry experiences and restoring the trust of the local people in the financial system. Also, the CBK has consistently followed a sound licensing policy, which has served as a base for the sound development of Kosovo's financial system.

Today, after 20 years, we are proud of the achievements of our institution and for that, I would first of all like to express my gratitude to all the CBK employees who with great enthusiasm and dedication have managed to transform the CBK into a modern institution, capable of serving the country's economic stability and development. During this period, the CBK has made significant progress in all its pillars, managing to build a modern payment system and providing efficient cash supply services to the economy; financial regulatory framework in line with international standards and advanced supervisory capacities; qualitative statistics and economic and financial analysis that provide decision-makers and the public, with a proper understanding of developments in the country's economy; and has consistently shown high efficiency in providing banking services to the Government and citizens.

These achievements would not have been possible without help of our international friends, which help was comprehensive and unreserved, who, with their experience and great desire to help, made our way become quicker and less troublesome. On this occasion, I would like to express special gratitude to international institutions such as the International Monetary Fund, the US Treasury, USAID, the World Bank, the European Central Bank, GIZ and many other institutions that have provided and continue to provide a very important contribution for the development of our institution.

Our work to date has, above all, been crowned with a sound financial system, which at its rapid pace of development has become one of the main promoters of the development and stability of the Kosovo economy.

The banking sector, as a key component of Kosovo's financial system, has continued to expand the activity of lending to the local economy, serving as a sustainable source of financing. Domestic deposits continue to be the most important source of financing for banks, and their steady growth has led banks' lending activity to have a low level of sensitivity towards changing financing conditions in foreign markets. The careful behaviour of banks, together with close supervision and regulation by the CBK as well as overall macroeconomic stability in the country, has ensured the Kosovo banking system, to have a satisfactory level of sustainability towards all aspects of banking risks. On this occasion, I would like to point out the very low rate of nonperforming loans, only 2.2%, which represents a desirable quality of the loan portfolio for many developed countries. Therefore, today I am pleased to present a banking sector with steady growth in loans and deposits, with good quality of loan portfolio, high level of capitalization and strong liquidity position. Kosovo's banking sector has also made progress in enhancing the efficiency of financial intermediation, prompting loan interest rates to decline significantly in recent years.

Similar progress has been made in other components of the Kosovo financial system. The insurance sector has grown steadily and has shown sufficient ability to cover liabilities towards insurance policy holders.

The pension sector has also shown satisfactory performance, where the value of contributions continues to increase, while careful asset management has enabled their value to increase overall.

Another important segment of our financial market continues to be microfinance institutions, which in recent years have accelerated the pace of credit growth, thus increasing their importance as an alternative source of credit financing in the Kosovo economy.

The CBK has also played an important role in the establishment and development of other institutions important for Kosovo's financial stability and economic development such as the Deposit Insurance Fund of Kosovo and the Kosovo Credit Guarantee Fund.

I consider that all this that I have presented so far, presents a good basis for concluding that the Central Bank of the Republic of Kosovo has passed twenty successful years, during which it managed to transform into a modern institution and to develop a financial system capable of contributing to the prosperity and stability of the country's economy.

However, we are aware that we have many more challenges ahead - challenges that other banks in the region are facing and beyond. Business models and strategies of financial institutions are already changing with great dynamics, which requires an equally great dynamic for developing regulatory and supervisory capacities for financial institutions. Regulatory reforms should enable the renewal or further development of financial intermediation, but at the same time must allow sufficient supervision and control over these institutions and activities they perform.

However, I have full confidence that our capacities and excellent cooperation with other international central banks and financial institutions serve as a strong guarantee that the CBK will continue to be successful in the future against the challenges ahead.

The Central Bank of the Republic of Kosovo has also changed its logo on this anniversary. The new CBK logo visually reflects its activities, values and attributes for better representation. The visual elements of the new logo give the CBK a unique identity. Within itself, the new symbol has the meaning of growth, security, statistics and money. The colours of the new logo are colours contained in the flag of Kosovo, the flag of the European Union and the logo of the European Central Bank.

In the end, I would like to thank you once again for participating in marking this very important anniversary for us and wish you fruitful discussions with the highly respected panellists, that we will have during today's conference, which will address topics that are very important for the economy and the financial sector. Now, I have the pleasure to invite His Excellency the President of Kosovo, Mr. Hashim Thaqi, for an occasional speech.