



National Bank of Serbia

# International Roundtable *„Changing Role of a Central Bank in Modern International Relations“*

*PhD Jorgovanka Tabaković,  
Governor of the National Bank of Serbia*

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## In uncertain times a role of reliable and efficient central bank is more important than ever

Central banks are facing *the challenge to maintain their independence and conservatism*, of which we – central bankers – are all proud. At the same time, *we need to respond to dynamic changes* that called for almost everyday adjustments.

The previous crises made us cooperate with each other. Although the *international cooperation* during the pandemic also showed some weaknesses, *it is still necessary* – for the preservation of both health and global financial stability.



# The NBS builds partnership relations with international organizations

The National Bank of the Kingdom of Yugoslavia became a member of the Bank for International Settlements back in 1931, while the former Socialist Federal Republic of Yugoslavia was one of the founders of the IMF and the World Bank.

- Through successful implementation of **advisory, non-financial arrangements with the IMF**, we have confirmed our commitment to the implementation of a *credible development policy*.
- Through close cooperation with the **European Bank for Reconstruction and Development**, we have also enabled the *development of the dinar capital market*.
- By participating in credit lines of the **European Investment Bank** for small and medium-sized enterprises, we created *more than ten thousand new jobs*.

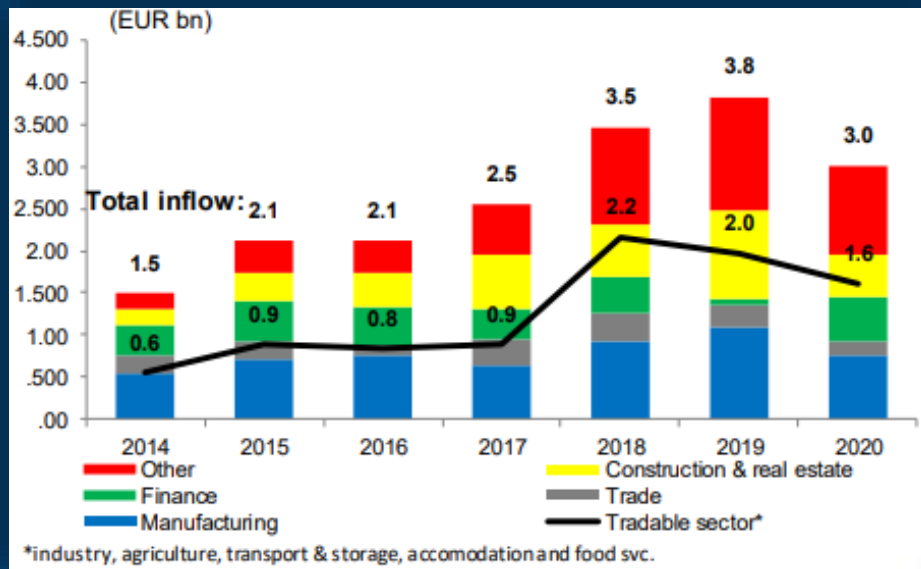
**We do not rely on cooperation in order to copy others' solutions**, because we believe monetary policy must be adequate for national circumstances, acknowledging of the external environment.





# The continuity of results has ensured our credibility in international relations

- Record inflows of FDI in the years before the pandemic and the inflow of three billion euros even in the pandemic 2020

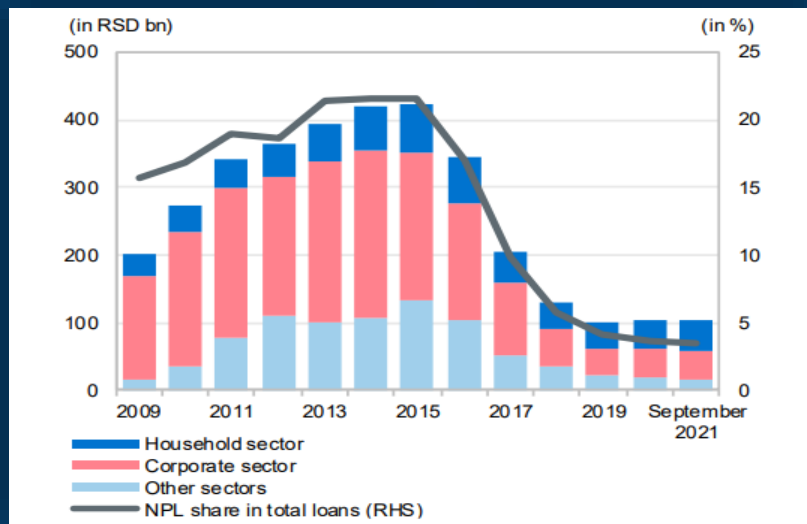


- Owing to **responsible and coordinated economic policy** conduct in the previous years, citizens' trust was built, and **room created for strong and timely actions during the pandemic**.
- These are the very reasons why Serbia, among the first countries in Europe, returned to the pre-crisis level of economic activity already at the beginning of this year, and why Serbia will record **GDP growth between 6% and 7% cumulatively** in the previous and the current year.



# The continuity of results has ensured our credibility in international relations

- In the past nine years **we have restored confidence in the domestic currency** and achieve that **dinar savings grow even in conditions of pandemic-induced crisis**.
- For years, **the exchange rate of the dinar against the euro has been relatively stable**.
- We have cured the banking system by resolving NPLs and **reducing them by over 80% in the past six years**.



Having reacted immediately at the onset of the crisis we sent a clear message that the **central bank is still the guarantor of the stability**.





# The first major challenge ahead of central bankers is the change brought by climate policies

- The dialogue about whether central banks have a mandate to act in the area of climate change is still ongoing.
- **Central banks are not the main policy makers in this area and that they cannot take on more than what their legal goals prescribe.**
- Depending on how much climate risks can affect financial stability and the implementation of monetary policy, **they need to be considered and taken into account when defining our operational frameworks** – international coordination is crucial for advancing this process.
- We need to continue **improving the quality of information about climate risks** without which informed decisions cannot be made.

On 2 July this year, on its 137th anniversary, the NBS became a member of *the Network of Central Banks and Supervisors for Greening the Financial System*.

In September 2021 *Serbia issued green bonds for the first time ever* – the first European country outside the EU that did this.





# The second significant challenge that we should respond to together is the development of digital technologies

Central banks need to **adapt their policies to changed circumstances**, but also to consider how technology can be adjusted to people, **so that we can rule the technology, and not the other way around.**

- Issues to address:
  - Implications of accelerated technological progress for monetary policy implementation and payment systems,
  - security of data stored outside the country of their origin,
  - the central bank digital currency and digital assets.

We must not forget those who do not find new payment technologies user-friendly.

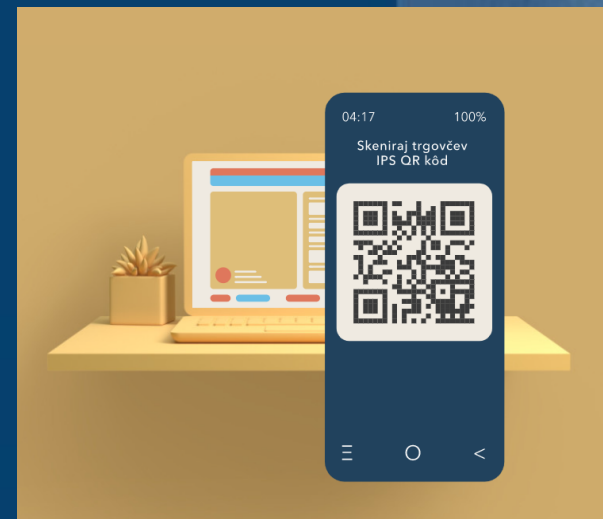
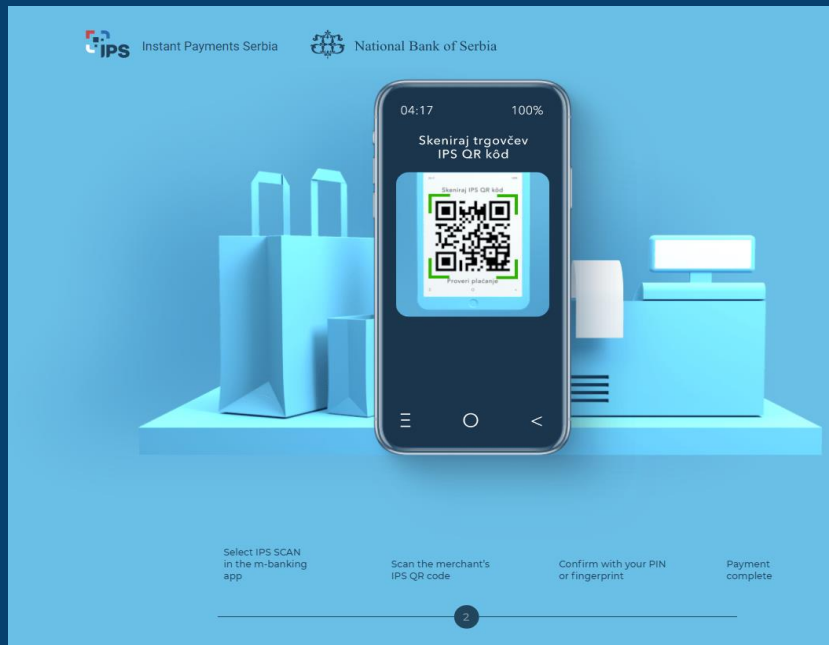
Our task is not to impose technological innovation on people, but rather **to accommodate the change in preferences in the safest possible way.**





# We are ready to take big strides to support development potentials

- The NBS was among the first to adopt a **law regulating the terms and conditions of trade in digital assets**.
- In October 2018, we established a **state-of-the-art instant payment system** that was launched a month before its EU counterpart.
- We enabled **concluding remote financial services contracts and establishing business relationships with clients via video identification**, among the pioneers in Europe.







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# We must cooperate in order to be able to rise to the challenges ahead

*„Bridges show the place where humankind encountered an obstacle and did not stop before it, but overcame and bridged it the way humankind could, according to understanding, taste, and circumstances.“*

*Ivo Andrić*

Our cooperation therefore reflects **a natural human need to connect and provide a joint response** to the obstacles we all face. As long as this is the case, I am confident that we will leave a more secure and sustainable world to the generations that follow.

