

Mugur Isrescu: 50th anniversary of Romania's entry to the circuit of international financial institutions

Speech by Mr Mugur Isrescu, Governor of the National Bank of Romania, on the occasion of 50 years since Romania joined the International Monetary Fund and the World Bank, Bucharest, 31 January 2023.

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Distinguished audience,

In December 1972, Romania joined the International Bank for Reconstruction and Development (World Bank) and the International Monetary Fund (IMF). At that time, Romania was the first – and remained until 1989- the only country from the *Treaty of Warsaw and COMECON (Council for Mutual Economic Assistance)* that had entered the circuit of international financial institutions. To mark this anniversary, the National Bank of Romania has launched into circulation, for numismatic purposes, a silver coin. The obverse of the coin depicts the Old Palace of the National Bank of Romania, the inscription "ROMANIA" in a circular arc, the coat of arms of Romania, the face value "10 LEI" and the year of issue "2022". The reverse of the silver coin has the logos of the International Monetary Fund and the World Bank and the inscriptions in Romanian "ROMANIA'S ACCESSION TO THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK" and "50 YEARS".

That moment in 1972 became part of a number of further positive decisions that put Romania in the global economic family: joining the General Agreement on Tariffs and Trade (GATT) in 1971; acquiring preferential trading status with the European Common Market in 1973; being granted the most-favored-nation status by the United States Congress in 1975; obtaining facilitated access to credits from the Export-Import Bank and the Commodity Credit Corporation (CCC). Over the same period of time, mixed capital companies were established in Romania as well as abroad, including, within the banking sector: Banque Franco-Roumaine, Anglo-Romanian Bank, Banca Italo-Romena, Frankfurt Bukarest Bank AG, MISR Romanian Bank. The brand of the American bank - Manufacturers Hanover Trust - was visible in University Square, right in the heart of Bucharest, and in premium data technology RomControlData was operating in the country.

Unfortunately, during the 1980s the authorities in Bucharest weakened the relationship between Romania and the West, including those with the Bretton Woods institutions, almost close to severing all ties.

After the fall of the communist regime, the normalization of the relationship led to a new beginning. As a partaker to these events, I can say that this process with the IMF and the World Bank was hardly an easy one, especially due to the lack of trust that had fallen over Romania's international economic relations. Part of the normalization of the relations with the international organizations was also joining the International Financial Corporation (IFC) – member of the World Bank Group in 1991. This institution has supported the Romanian banking sector too, especially during the privatization process. Joining MIGA finalized the normalization process.

Throughout the 1990s and up until the EU granted Romania the functional market economy status in 2004, and later on, until the actual EU Accession in 2007, the IMF and the World Bank have been our main economic and financial external partners, during the transition.

It goes without saying that one central pillar of this transition was represented by the continuous reforms of the national legislation regarding the central bank and the financial sector reforms, which have benefited from the extensive contributions of IMF and World Bank staff. For instance, the essential legislation governing the banking system was drafted with the assistance of IMF experts.

In this context, I would like to mention the seven IMF Stand-by Agreements that, in addition to the Balance of Payments support, have also contributed to the implementation of structural reforms prior to the EU accession. Similarly, the World Bank's programs have contributed to the development of the Romanian financial and banking system (e.g. the Financial and Enterprise Sector Adjustment Loan (FESAL) – focused on reforming the financial sector, and the Private Sector Adjustment Loan (PSAL) – offered support towards the privatization of the Romanian banks and to the development of the monetary and capital market).

During this transition period marked by major changes, I would like to highlight one element of continuity. Since joining the IMF, Romania has been part of the Dutch Constituency. In 2012, Belgium and Luxembourg joined, establishing the Dutch-Belgian Constituency, one of the largest and most diverse constituencies at the IMF. I have to mention that the National Bank of Romania has extensively benefited during the whole transition process from technical assistance from members of this Constituency in two essential banking areas, such as bank supervision from the Nederlandsche Bank (DNB) and market operations from the National Bank of Belgium.

Actually, the first Law on the Statute of the National Bank of Romania was drafted following the model of the National Bank of Belgium, while the Dutch influence goes even further back in time. If history simply wanted to repeat itself: one knows that the name of our national currency draws its name from the *löwenthaler* (leul taler), a silver Dutch coin that circulated approximately four hundred years ago.

Allow me to introduce, even though many of you already know him, Paul Hilbers, the IMF Executive Director of the Dutch – Belgian Constituency, a very dear and old friend of Romania. I would like to thank him for his current work representing our country within the IMF Executive Board, and for all his support throughout his career. Before re-joining the IMF, where he had previously worked for 15 years in the European Department and the Monetary and Financial Systems Department, he was the Director for Financial Stability, as well as for Supervision Policy within the DNB, position that enabled the creation of the respective departments within the National Bank of Romania. Last, but not least, he shares his financial supervision knowledge as a Professor at Nyenrode Business University.

It is my pleasure to offer the floor to Mr. Hilbers and thank him once again for being here with us today.

His remarks will be followed by a recorded message from his World Bank counterpart, Executive Director Koen Davidse. Mr Davidse is a more recent, but also very good, friend of our country. With extensive knowledge in development policies, having worked with the United Nations and the Ministry of Foreign Affairs of the Netherlands, Mr. Davidse has constantly supported the efforts for structural reforms and strengthening Romania's institutions in. Unfortunately, he couldn't join us physically today, but he is with us virtually.

Thank you!