

Senad Softi: From crisis to recovery

Introductory statement by Mr Senad Softi, Governor of the Central Bank of Bosnia and Herzegovina, at the IMF-World Bank Constituency Meeting, Sarajevo, 14 September 2022.

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Your excellences, ladies and gentlemen,
Dear fellow governors.

It is my great pleasure to present my statement to the IMF-WB Constituency meeting. I am very proud that Bosnia and Herzegovina are a host of such high-level event. I think it is a perfect place for our meeting in this increasingly polarized and divided world. We share the same problems and the same destiny so cooperation, exchange of views and experience are more important than ever.

As central bank governor, I will talk on three main topics:

1. Central bank of BiH and 25 years anniversary
2. Our relations with the IMF and the World bank
3. And how do we see the future?

1. Central bank of BiH achievements in its 25 years' history

Central bank of Bosnia and Herzegovina celebrate 25 years anniversary this year. We started our operations on August 11, 1997. During this time, under complex and challenging circumstances in Europe, the world and in Bosnia and Herzegovina, the country's monetary stability was maintained as one of the key factors of the macroeconomic stability. We managed to keep our currency board working, serving our macroeconomic stability and society. And it proved to be successful and resilient during good times but also during crises such as financial crises in 2008, pandemic one in 2020, as well as the present one with war in Ukraine.

During crises time Central bank of Bosnia and Herzegovina provided:

- enough cash in circulation for banks and citizens,
- maintained efficient payment system in the country with no delay,
- lead coordination and communication on the high level among other institutions in the country, and
- keep timely and transparent public communication.

This is how we maintained stability and confidence in the domestic currency - the convertible mark, thereby contributing to overall financial stability of Bosnia and Herzegovina.

All 25 years we have been working in the interest of the state, economy and citizens of Bosnia and Herzegovina. We have passed a dynamic path, from the establishment of the single currency of Bosnia and Herzegovina, through the reform of the payment systems and banking sector, to the numerous implemented projects with domestic and

international financial institutions, which has established us as a strong, professional and responsible institution.

The CBBH is also recognized by relevant domestic and international organizations as an institution with high credibility that continuously aligns its operations with the best practices and standards of central banking.

The successful implementation of all tasks and activities would not be possible without the maximum professionalism and engagement of all staff members of our institution.

But also, great thanks for our achievements goes to our partners, central banks in the region and in Europe, and partner institutions that were with us from the very beginning such as the IMF and the World bank.

2. Our relations with the IMF and World bank

We had a fruitful and beneficial cooperation with the IMF. During that period country had six programs with the IMF. Central bank had numerous technical assistance for capacity building, training and education including Joint Vienna Institute. Regular Article IV missions were always very useful for us. Also, the Safe Guard Assessment missions whose advice we took very seriously and implement without delay. We are very much aware how important is to have strong safe guard of all our operations. Based on those recommendations we have significantly improved our organization and governance structures.

I would also like to thank the IMF for exceptional access to finance during difficult pandemic times within Rapid Financing Instrument (RFI) and for allocation of Special Drawing Rights (SDR) last year. It has helped our country meet additional financing needs and deal with the crises. Regarding this arrangement the CBBH successfully implemented all tasks as the fiscal agent for BiH.

Finally, for some time there are discussions on the possible new program with the IMF. I strongly believe that our economy would be well served with a new arrangement. IMF help is needed not only financially, but to boost our domestic reform agenda. Structural reforms would increase the efficiency of our economy and would speed up our EU accession process.

One of important segments of the economy are our payment systems. We are currently working together with other Western Balkan countries, EU and the World Bank in Payment Modernization Project. This would help us to improve cross-border payments as important part of our EU integration process in the future.

I use this opportunity to thank to the World bank for very good cooperation with the CBBH in the past, especially in payment system and remittances program, developing payment system oversight function and financial stability framework.

3. How do we see the future?

In a nutshell, we made changes in many different areas of CBBH in last few years. We made significant changes in our organization and governance structures. For example:

- We introduced a new integrated risk management
- Develop compliance function.
- Work on changes in digital payments and digitalization of finance
- We are paying attention to develop new systemic stability indicators like liquidity and solvency stress testing
- We have significantly improved our macro analytical capabilities producing half-year forecast and our own nowcasts for main macroeconomic variables.
- Number of our working papers has increased
- Last but not least we have significantly increased our transparency and communication policies.

It is not only about using social media and press releases but explaining out policies and views in interviews, as well as being more responsive to all questions we are facing.

However we are aware that a lot needs to be done in the future. Let me mention just a few of those.

1. First is the greening of finance. There is an old saying: Be the change you want to see in the world. So, we need to improve our own carbon footprint and be more environmentally friendly. CBBH already express interest to participate in initiatives regarding climate change and managing climate related risks in financial sector.
2. Second are questions of inclusion. We are doing efforts regarding financial inclusion and education. For Bosnia and Herzegovina this is very important issue specially regarding sustainable remittances. In the CBBH we pay special attention to gender equality aspect, our management team has more than 50 % female managers. But generally, in the country we need to do more regarding inclusion, especially regarding gender equality. IMF has recently identified that gender issues can be macro-critical.
3. Third, much more needs to be done in areas of cyber-resilience. Cyber risks are on the rise. We take this issue seriously improving our cyber security and implementing cyber risk assessments. But we need to do more on general coordination in this area.

Ladies and gentlemen, it is not only the situation in BiH, but in the world as a whole that is uncertain and volatile. Last month gathering of central bankers at Jackson Hole has clearly confirmed this worldview.

Unprecedented challenges are ahead of central banks. The CBBH will continue maintaining its monetary policy and stability and continue further improvements of our operations insuring our credibility as the most important asset any central bank have.

I am personally an optimistic about the future and working together is the only way to move from crisis to recovery.