

Peter Nichol,
Guverner Centralne banke Bosne i Hercegovine

ULOGA CENTRALNE BANKE BOSNE I HERCEGOVINE

PREDAVANJE ZA STUDENTE EKONOMSKOG FAKULTETA U BRČKOM

Veoma sam srećan što imam mogućnost da vam se danas obratim. Tema predavanja je uloga Centralne banke Bosne i Hercegovine (CBBiH). Nakon izlaganja imaćete dovoljno vremena za postavljanje pitanja.

Centralna banka je počela sa radom 11. avgusta 1997. godine tako da je sa svega četiri godine veoma mlada banka prema standardima centralnog bankarstva. Interesantno je prisjetiti se kako je finansijski sistem izgledao 1997. godine. Bile su u opticaju četiri valute. Postojalo je oko 70 komercijalnih banaka, ali većina od njih bila je vrlo mala, nijedna nije poslovala na području čitave države, a osnovno je da građani nisu koristili banke. Postojala su tri zavoda za platni promet od kojih je svaki držao monopol na bezgotovinsko plaćanje na teritoriji koju je pokrivaio. Ukratko, to je bio veoma slab i podijeljen finansijski sistem.

CBBiH je državna institucija. Njen mandat pokriva cijelu državu. Ona djeluje na osnovu sopstvenog zakona koji je veoma dobar. Govoreći ovo, ja ne hvalim sebe, jer je zakon donesen i usvojen prije nego što sam ja došao u Bosnu da bih postao guverner. CBBiH je odgovorna Predsjedništvu Bosne i Hercegovine i, preko njega Parlamentu Bosne i Hercegovine. Zakon je veoma detaljan i veoma precizno određuje šta CBBiH smije, a šta ne smije da radi.

Shodno odredbama našeg zakona CBBiH je nezavisna institucija. Zakon posebno navodi: "CBBiH će biti u potpunosti nezavisna... radi provođenja svojih ciljeva i izvršenja svojih zadataka". Operativna nezavisnost je veoma važna.

Strateški ciljeve Centralne banke BiH definiše Upravno vijeće koje se sastoji od četiri člana. Predsjednik upravnog vijeća je guverner, a ostala tri člana Vijeća su domaći ljudi. Svi su oni uključeni u rad od samog početka funkcionisanja CBBiH tako da imamo veoma dobar kontinuitet, što je vrlo bitno. Svakodnevno upravljanje je u

rukama guvernera koji ima ulogu generalnog direktora, kao i trojice lokalnih viceguvernera.

Centralna banka BiH ima pet kancelarija. Glavna kancelarija nalazi se u Sarajevu. Postoje tri glavne jedinice, u Banjoj Luci, Mostaru i Sarajevu, kao i dvije filijale, u Brčkom i na Palama. Imamo 240 zaposlenih. Samo sam ja član osoblja CBBiH a nisam državljanin BiH tako da je ovo zaista bosanska institucija.

MONETARNA POLITIKA:

Najvažnija funkcija CBBiH je da formuliše, usvaja i kontroliše monetarnu politiku u Bosni i Hercegovini. CBBiH upravlja monetarnom politikom putem currency board aranžmana. Ovo je definisano u Zakonu o CBBiH, kao i u Dejtonskom sporazumu.

Izbor currency boarda ima dva razloga. Prvi je da on obezbjeđuje čvrsto nominalno usidrenje u obliku fiksnog kursa. Ovo je bilo od kritične važnosti za veoma nesigunu, poslijeratnu ekonomsku situaciju u BiH. Drugo, on uzima u obzir teškoće koje će se pojaviti prilikom uspostavljanja institucija i donošenja političkih odluka u kompleksnom političkom okruženju koje je postojalo u BiH.

- Tri esencijalne karakteristike currency boarda, koje su spomenute u Zakonu o CBBiH su:
- Valuta Bosne i Hercegovine, konvertibilna marka (KM), je fiksnim kursom vezana za njemačku marku (DEM). Taj fiksni kurs je $1 \text{ KM} = 1 \text{ DEM}$. Ona je sada takođe vezana za evro istim kursom kojim je vezana i DEM ($1 \text{ KM} = 0,51129 \text{ evra}$). KM je vezana za evro po ovom kursu još od samog predstavljanja evra 1. januara 1999. godine. Kurs KM i evra uskoro će biti unesen u Zakon o CBBiH s obzirom da će DEM uskoro prestati da postoji;
- KM pasiva Centralne banke BiH mora biti u potpunosti pokrivena sa konvertibilnim stranim sredstvima. Na kraju novembra 2001. godine iznos naše KM pasive bio je 1,55 milijardi KM, dok je iznos naših stranih sredstava bio 1,62 milijarde KM, tako da smo imali pokriće koje je veće od 100%.
- CBBiH mora biti spremna da promijeni KM za DEM u bilo koje doba i u bilo kojem iznosu. Otkad smo počeli sa radom, 1997. godine prodali smo 5,43, a kupili 4,11 milijarde KM, tako da je to valuta koja ima punu konvertibilnost.

Vezivanje KM za DEM preko currency board aranžmana bio je jednostavan izbor za Bosnu i Hercegovinu, jer se DEM uveliko koristila u državi, s obzirom da je to valuta kojoj su ljudi vjerovali.

To je bio uspješan izbor i zbog:

- KM je stabilna valuta u odnosu na DEM i evro od njegovog uvođenja;
- Inilacija je niska i stabilna. Posljednji podaci govore o stopi ispod 1% *per annum* u oba entiteta;
- Upotreba KM je značajno porasla unutar BiH i sada KM predstavlja dominantnu valutu u transakcijama u svim dijelovima zemlje. Naša KM pasiva je narasla od 132 miliona KM, koliko je bila u avgustu 1997. godine kada smo počeli, do 1,55 miiijardi KM na kraju novembra 2001;
- KM se može mijenjati čak i u nekim drugim zemljama Evrope.

Ne vjerujem da postoji ijedna druga vrsta monetarne politike, osim možda usvajanja DEM kao bosanskohercegovačke valute, koja bi zemlji poput BiH ovako brzo obezbjedila stabilnu i valutu od povjerenja kao i nisku inflaciju.

Zašto princip currency boarda funkcioniše u BiH?

Mislim da postoje četiri glavna razloga:

- Prvo, ljudi su se već suočili sa mnogim finansijskim traumama i zbog toga cijene stabilnost valute. Kao posljedica toga, currency board ima visok nivo javne podrške unutar BiH;
- Drugo, ljudi su imali kompletno povjerenje u vezanu valutu, njemačku marku. Striktni currency board je odobren od strane CBBiH, novu instituciju koja bi trebalo da dostigne kredibilitet njemačke marke i Bundesbanke;
- Treće, neki ljudi misle da je to zbog toga što CBBiH ima stranog guvernera. Mislim da je to mali dio razloga.
- Po mom viđenju, glavni razlog zašto fankcioniše je zakonski i institucionalni okvir koji funkcioniše unutar CBBiH:

(i) Cilj CBBiH je jednostavan, jasan i određen u Zakonu;

(ii) Zakon ograničava naše aktivnosti u kojima bi mogao biti mogući konflikt sa zahtjevima currency boarda;

(iii) Unutar ovih statutarne ciljeva i limita, CBBiH je nezavisna od političkih direktiva; mi imamo razuman i ispravan interni proces odlučivanja;

(iv) Mi u potpunosti snosimo odgovornost.

(v) Narušavanje zahtjeva currency boarda vrlo brzo bi bilo očigledno svima. Po trenutno ekonomskom žargonu, veoma je transparentan oblik politike implementacije.

Neki ekonomisti i drugi raspravljaju da currency board ima nedostatke jer ograničava pozicije i ekonomsku ulogu CBBiH. Na primjer:

- CBBiH ne može da igra ulogu u obezbjeđivanju likvidnosti bankarskog sektora (tj. ne može da posuđuje sredstva u nuždi);
- CBBiH ne može da finansira vladu;
- CBBiH ne može da igra neku direktnu ulogu u finansiranju ekonomskog razvoja;
- Kurs se ne može koristiti kao sredstvo za usklađivanje ekonomskih šokova ili siromašnih ekonomskih performansi.

Ovo su područja političke diskrecije, ako ih mudro i dosljedno koristimo, mogle bi biti prednost za ekonomski razvoj u BiH. Postoje mnogi projekti u BiH za koje bi finansiranje CBBH bilo od koristi. Ipak, problem bi bio održati kredit CBBiH prema 'malom zalogaju'. Iskustvo u regionu je da je višak kredita Centralne banke već bio kreiran i da je rezultat inflacija. To ne pomaže biznisu, zaposlenju ili povjerenju u BiH, tako da je moje stanovište da je striktan currency board najbolji pristup za BiH i da je to promjena koja će biti protivna ekonomskim i socijalnim djelovanjima.

Potpuno razumijem zabrinutost za državnu ekonomiju i visok nivo nezaposlenosti koji uzrokuju da ljudi razmatraju sve političke opcije koje BiH treba da isproba i adresira te probleme, ali promjena currency boarda bi bila pogrešna opcija i prije bi stvar pogoršala nego poboljšala.

Neki ljudi ističu da je usvajanje currency boarda odustajanje od monetarne politike kao instrumenta makroekonomske politike. Taj stav je pogresan. Odlučivanje o usvajanju currency boarda je izbor monetarne politike kao usvajanje bilo kog drugog tipa

monetarne politike. To je zasnovano na pravilu prije nego na diskrecionoj formi monetarne politike. To je tačno.

Ipak to je osnovni prihvatljiv način koji je izabran i jedan je od njegovih prednosti a ne slabosti.

Izborom usvajanja principa currency boarda, BiH se odlučila da cilj njene monetarne politike bude postizanje stabilnosti - stabilnosti u vrijednosti lokalne valute prema vezanoj valuti i stabilnost stope inflacije. Građani BiH imaju potpuno povjerenje u veznu valutu, njemačku marku, zbog iskustva i reputacije Bundesbanke kao Centralne banke te vezane valute. Currency board aranžman dozvoljava CBBiH, potpuno novoj instituciji, i KM, potpuno novoj valuti, da brzo dostigne jedan dio kredibiliteta Bundesbanke i njemačke marke. Želja za stabilnošću dovela je do oživljavanja interesa za currency board devedesetih godina kada ih je uspostavljeno 6 ili 7, uključujući ovaj u BiH. U toku devedesetih znatan broj zemalja je otišao dalje u želji da ima stabilnu valutu prihvatajući u potpunosti valutu druge zemlje (takozvana dolarizacija) ili uvođenjem nove zajedničke valute u jednom broju zemalja (Evro zona). Takva područja, čija je suština stabilnost valute, dovela su princip currency boarda do (takozvana dolarizacija) ili uvođenjem nove zajedničke valute u jednom broju zemalja (Evro zona). Takva područja preuzimala su princip currency boarda čija je suština stabilnost valute do najvišeg mogućeg stepena usvajajući tuđu ili zajedničku valutu. Kada se ovim zemljama dodaju sve one zemlje koje su u toku devedesetih upotrijebile neke vid borbe sa inflacijom zaključak je da glavni pravac monetarne politike širom svijeta u posljednjih 15 godina bio definisan stabilnošću kao glavnim ciljem monetarne politike.

Tako, monetarna politika implementirana u BiH preko currency boarda nije nikako neobična. Ono što bi bilo neobično i što bi imalo veoma negativan efekt na potencijalne strane investitore bio bi povratak BiH starog diskrecionog tipa monetarne politike koji u mnogim zemljama nije uspio, a naročit neuspjeh je doživio u ovoj regiji. Zato mislim da je pogodniji naziv za taj tip monetarne politike nediskreciona politika umjesto diskreciona.

Stoga vjerujem da princip currency boarda mora biti nastavljen u BiH zbog sljedećih razloga:

- Postoji široka javna podrška za to što omogućava a jedna od nekoliko elemenata stabilnosti koju su ljudi imali nekada;

- Bilo bi rizično promijeniti ga. Povjerenje u KM bi opalo dok bi ljudi čekali da vide kako bi alternativna monetarna politika funkcionisala;
- Currency boardovi su funkcionirali dobro u drugim zemljama Istočne Evrope i kao udružene valute postale su prihvatljive čak i moderne;
- Ciljevi na duži period BiH politike su da približe ekonomiju Evropi. KM je već vezana za Evro. I stoga izgleda razumljivo održati ovu vezu;
- Alternativni tipovi monetarne politike su mnogo više vjerovatni da prije stvaraju inflaciju nego rast ekonomije. Postoji jedan od akademika u BiH koji je javno skoro rekao da stopa inflacije od 20% će biti dobra za ekonomski rast i razvoj u BiH. Ja ne vidim neki dokaz koji bi mogao podržati ovu izjavu. Mnoge zemlje u svijetu teže ka inflaciji u manjim brojkama jer vjeruju da je to najbolja stopa inflacije koja će promovirati investiranje i ekonomski rast. Isto tako, bilo bi nemoguće održati stopu inflacije oko 20% jer bi postojali pritisci za daljim rastom.

Stabilnost deviznog kursa i stopa inflacije su od izuzetnog ekonomskog značaja za jednu zemlju. Na taj način se građanima daje mogućnost da sigurnije planiraju svoje ekonomske odluke. Ovo je osobito važno za investicije jer profit od bilo kakvih investicija dolazi tijekom godina. Stabilnost inflacije i deviznog kursa su stoga od kritičkog značaja za investiranje. Osobito kada se radi o jednoj maloj državi kao što je BiH kojoj su potrebna znatna privatna ulaganja. Strani investitori ne moraju doći u BiH. Oni mogu opskrbljivati maleno BiH tržište i iz susjednih zemalja ili čak i iz svoje matične države.

Stabilnost inflacije i deviznog kursa su također izuzetno bitni za razvoj finansijskog sektora. Trenutno, glavni rizik na koji se banke moraju fokusirati je kreditni rizik njihovih klijenata. Ovo je u BiH još uvijek ogroman problem, ali budući da je to glavni rizik moguće je kreirati politiku koja će umanjiti taj rizik. Rezultat je da se bankarski sektor u BiH lagano normalizira. Ali ako bi banke uz to još morale da razmišljaju i o riziku od inflacije i riziku deviznog kursa siguran sam da ne bismo mogli očekivati znatna poboljšanja u bankarskom sektoru.

Stabilnost također ima i veliku društvenu prednost i korist jer štetnim posljedicama devalvacije ili inflacije su češće podložni siromašni slojevi. Oni bogati ili sa jakim vezama često nađu način da izbjegnu štetne posljedice ili čak u takvoj situaciji i profitiraju.

Ostale uloge CBBIH:

Jedna od važnih uloga CBBIH je uloga u platnom sistemu. Izdali smo KM koja je postala dominantno sredstvo plaćanja u gotovinskom plaćanju u BiH. Tri od četiri valute koje su bile u upotrebi u BiH od 1997. godine, bosanski dinar, jugoslavenski dinar i kuna su potpuno nestali iz BiH. Četvrta, njemačka marka je još uvijek u upotrebi ali je znatno zamijenjena KM-om u zadnje tri godine. Ovaj trend je u zadnjim mjesecima ubrzan zbog zamjene DEM-a u evro. Godine 1999. poslali smo 842 miliona njemačkih maraka, a ove godine 1,9 milijardi, što je ukupno 3,7 milijardi njemačkih maraka. CBBIH igra glavnu ulogu u reformi domaćeg bezgotovinskog platnog sistema.

Bankarski sektor:

Zemlja mora unapređivati bankarski sektor. Reforma bankarskog sektora ide naprijed i brže od ostalih sektora. Povjerenje se vraća, štediša se počinju vraćati u banke i banke su počele da posuđuju novac. Konkurencija je realna, pomaže da ovdje dođu neke dobre strane banke.

Investiranje u bankarski sektor proporcionalno se povećava, više nego u druge sektore u BiH. Još uvijek imamo političare koji kritikuju banke da ne posuđuju dovoljno i da svoje rezerve drže u inostranstvu. Ovi političari treba da se pitaju zašto banke još uvijek oklijevaju da posuđuju više. Ali banke će jedino dati novac ako klijent vraća kredit uredno, u suprotnom takve probleme rješava sud. Stoga bankarski rizik treba smanjiti. Najgora stvar bi bila pritisak na banke da ignorišu stvarne komercijalne rizike koji još uvijek postoje u BiH.

Zaključci:

Ukoliko se zakonodavstvo, pravni i poreski sistem ne promijene, i ako se ne promijene brzo i iz korijena, budućnost BiH biće teška. Ovi problemi su međusobno povezani i imaju zajednički korijen - nerazumijevanje načina rada ekonomije i privatnog sektora i toga kako bi trebalo izgledati okruženje koje može privući investicije na nivou koji je za BiH neophodan.

Pažnja bosanskohercegovačkih političara i međunarodnih stručnjaka i savjetnika mora biti usmjerena u tom pravcu. Upravo će reforma zakonodavstva i mikroekonomije odrediti budućnost BiH.

Ne postoji nikakva brza politika koju bi BiH mogla promijeniti kako bi izašla iz teške ekonomske situacije koja je dugo vremena nastajala. To nije jednostavno. Nastavak reforme u bankarstvu, ubrzana reforma zakonodavstva, reforma u pravu i sudstvu, smanjenje birokratije, smanjenje poreskih opterećenja, privatizacija - duga je lista stvari koje se moraju uraditi a vrijeme ističe.

U međuvremenu, stabilnost currency boarda je najpozitivnija osobina kojom BiH raspolaže da bi privukla strane investicije. S obzirom na nestabilnu situaciju u ekonomiji i platnom bilansu, u ovom trenutku, ugrožavanje stabilnosti KM, putem usvajanja nekog drugog diskrecionog oblika monetarne politike bio bi najbolji način da se osigura ekonomska kriza u BiH.

MAKROEKONOMSKA ODRŽIVOST U BiH:

Dok čvrsto vjerujem da BiH treba da održi princip currency boarda, biće potrebno napraviti promjene u drugim područjima ako želimo da BiH ima makroekonomsku održivost veću od srednjoročne. Zahtjevi currency boarda znače da CBBH ne može izdati valutu KM u određenom iznosu ili ekonomskim potrebama. Količina koja može biti izdata je vezana za bruto poziciju vanjskih računa Bosne i Hercegovine. Ovo je aritmetika currency boarda. Šta aritmetika currency boarda znači za Centralnu banku i državu? Ako je neto stanje na vanjskim računima pozitivno, devizne rezerve Centralne banke se povećavaju. Ne postoji ništa što bi moglo zaustaviti da currency board ima 100% pokriće za pasivu domaće valute. (Trenutne devizne rezerve CBBH su jednake sa 106% naše KM pasive). Prema tome, ako su devizni računi pozitivni, neće biti pritiska na currency board i srednjoročna ekonomska održivost biće laka. Međutim, ako su državni devizni računi negativni, situacija se veoma razlikuje. Ako ljudi žele da kupe devize za njihove KM, CBBH to treba da učini bez ograničenja. To znači punu konvertibilnost. Nivo deviznih rezervi CBBH će pasti kao i nivo domaće snabdjevenosti novcem. Pravilo currency boarda biće ispoštovano, ali bilans stanja CBBH će slabiti i nastaviće da slabi dok više ne bude deviznih rezervi. BiH jedino može platiti strane troškove koje su oni načinili razmjenom.

Trenutna pozicija platnog bilansa u BiH je uzrokovala zabrinutost. Trgovinski deficit je veoma visok. Količina stranog privatnog kapitala koji dolazi u ovu zemlju još uvijek je niska. Tokovi su učinili da su veliki iznosi oficijelnog kapitala i povratnika u inostranstvu.

Gledajući unaprijed:

- Znamo da će se nivo oficijelnih tokova kapitala smanjiti, jedina neizvjesna stvar je kada će se ovo desiti;
- Biće teško povećati izvoz, mnogo toga je moglo da se uradi do sada;
- Zemlja je mnogo zavisna od uvoza. Spora rekonstrukcija usporiće širenje uvoza. Naglo usporavanje uvoza štetiće korisnicima i životnom standardu;
- Teško je predvidjeti ili uzdati se u repatriaciju;
- Tačka koja se znatno mora promijeniti su strane privatne investicije. Međutim, da bi BiH privukla strane investicije mora da promijeni sektor privatnog investiranja.

Ako BiH ne privuče velike količine privatnih stranih investicija, pritisak na devizne rezerve će da poraste sa usporavanjem novčanih tokova. Ovo će da poveća nabavku domaće valute i pritisak će biti na kamate. Monetarna politika, implementirana kroz currency board aranžman, je prociklična kada ekonomija ima problem deviznih rezervi, tj. povećaće se pritisak na ekonomju.

Situacija u BiH ekonomiji je kritična i urgentna. Mnogi tvorcii politike imaju razumijevanja za probleme devizne razmjene. Ali još uvijek izgleda da misle da imaju politički izbor, a nedostaje im osjećaj za urgentnost. S mog stanovišta jedini izbor je da se BiH učini privlačnim mjestom za privatno investiranje. Ako se to ne desi, BiH će imati veliki problem sa devizama i currency board neće moći da zaštiti državu od tih šokova. Zaista, mogla bi postati jedna od žrtava ovih šokova kao žrtveni jarac da bi se ljudima objasnili ekonomski problemi države.

Strano investiranje se povećava. Na primjer, 1999. godine, direktna strana ulaganja bila su 50% veća u odnosu na 1998. godinu i, s obzirom da još uvijek nemamo brojke za 2000. godinu, siguran sam da su još veća. Međutim, iako ovaj rast zvuči spektakularno, to je još uvijek na veoma niskoj osnovi. Direktna strana ulaganja u BiH za 1999. godinu se procjenjuju na 170 miliona KM. Deficit na računima za tu godinu bio je 1,4

miliijardu, tako da su privatna strana ulaganja finansirala samo 12% tadašnjeg deficita te godine. BiH treba da poveća privatno strano ulaganje oko 200% godišnje u sljedeće dvije godine, a ne 50% što je trenutna stopa ekonomskog rasta koja mora biti održiva kada pomoć oslabi.

Ovaj cilj je moguć. Dolazak stranih banaka iz Austrije i Hrvatske pokazuje porast interesovanja stranih investitora. Međutim, klima za strana ulaganja u BiH još uvijek je daleko od podržive. Ovo utiče na lokalna kao i na strana investiranja. Još uvijek postoje problemi sa zakonima koji nisu dovršeni, licenciranje i regulatorni sistemi koji su birokratični, nametljivi i iz više niova i finansijski sistem koji je još uvijek slab.

Poboljšanje okruženja za privatne investicije, i domaće i strane, je ključ ekonomskog položaja ove zemlje. Ako se reguliše da BiH ima održivu ekonomiju biće to zemlja gdje dobri studenti, kao vi, mogu biti dio njene budućnosti.

Sljedeći zaključak je da je bankarski sektor u BiH prošle godine prošao kroz mnogobrojne i značajne promjene i da se danas nalazi u boljoj poziciji no što je bio u vrijeme održavanja prošlogodišnje konferencije. Istina je da su koraci naprijed protekle godine bili znatno brži nego godinu dana prije. Ovo je vrlo pozitivan trend.

Sada ću kratko pomenuti najbitnije izmjene koje su se zbile prošle godine:

- Obavljena je reforma platnog sistema tako da je sada platni sistem usklađen sa najvišom evropskom praksom;
- Bankarske agencije su nametnule znatno povećan minimum bankovnog kapitala;
- Počelo se sa osiguranjem depozita što ima znatan uticaj na povjerenje građana u banke;
- Sve više stranih banaka počinje da posluje u BiH;
- Pet banaka sada posluje jer ima filijale u oba entiteta itd.

Treća stvar koju sam govorio proteklih godina i koju ću da ponovim i ove godine je činjenica da nam još predstoji dugačak put prije nego što BiH bude imala bankarski sektor koji će igrati vodeću ekonomsku ulogu kao što je slučaj sa bankarskim sektorom

u većini privreda u Evropi. Još uvijek se nalazimo u ranoj fazi procesa bankarske reforme.

Na prethodne dvije konferencije ja sam, iz dva razloga više, pominjao reformu bankarstva i platnog sistema nego Centralnu banku i BiH currency board aranžman. Prvi razlog su mnogobrojne aktivnosti i dešavanja u reformi bankarstva i platnog sistema. Drugi razlog je taj što sam vjerovao da je prisutno potpuno razumijevanje i prihvaćenost currency board aranžmana, te da nema potrebe da to previše naglašavam niti objašnjavam.

Peter Nichol,
Governor of the Central Bank of Bosnia and Herzegovina

**THE ROLE OF THE CENTRAL BANK
OF BOSNIA AND HERZEGOVINA**

**LECTURE TO STUDENTS OF THE FACULTY
OF ECONOMICS IN BRČKO**

I am very pleased to have this opportunity to talk to you today. The subject of my lecture is the roles of the central bank of Bosnia and Herzegovina (CBBH). I will leave plenty of time at the end of the session for you to ask any questions you have.

The CBBH commenced its operations on 11 August 1997 so it is just over four years old-very young by central banking standards. It is interesting to remember what the financial system in BH 'looked like in 1997. There were four currencies being used. There were over 70 commercial banks but most of them were very small, none of them operated over the whole country, and in the main, citizens did not use the banks. There were three payments bureaus each of which had a monopoly on non-cash payments in the territory they covered. In short, it was a very weak and fragmented financial system.

The CBBH is a state-level institution. Its mandate covers the whole country. It operates under its own law. The law is a very good one. In saying that, I am not praising myself as the law was developed and passed before I came to Bosnia to be governor. The CBBH reports to the presidency of BH, and through them, to the parliament of BH. The law is a very detailed one and sets out very precisely what the CBBH has to do and also what we cannot do.

Subject to the requirements of our law, the CBBH is an independent institution. The law says specifically that the CBBH shall be entirely independent...In the pursuit of its objectives and the performance of its tasks. This operational independence is very important.

The strategic direction of the CBBH is set by a governing board of four members. The governor is the chairman of the board and there are three local members. All of them

have been involved from the beginning of the CBBH. So we have had good continuity which has also been important. The day-to-day management is in the hands of the governor, who is also the chief executive officer, and three local vice governors.

The CBBH has five offices. The head office is in Sarajevo. There are three main units, in Banja Luka, Mostar and Sarajevo, and two branches in Brcko and Pale. We have 240 staff. I am the only full-time staff member of the CBBH who is not a Bosnian citizen. So it is very much a Bosnian institution.

Monetary policy:

The most important function of the CBBH is to 'formulate, adopt and control the monetary policy of BH.' the CBBH operates monetary policy through a currency board arrangement. This is stipulated in the CBBH law and in the Dayton agreement.

The choice of a currency board had two main motivations. First, it provides a firm nominal anchor in the form of a fixed exchange rate. This was considered critical for the very uncertain post-war economic situation in BH. Second, it took into account the difficulty there would be in establishing institutions and making political decisions in the complex political environment that existed in BH.

The three essential features of the currency board, all of which are specified in the CBBH law, are:

- The BH currency, the convertible mark (KM) is tied to the Deutschmark (DEM) at a fixed exchange rate. The fixed exchange rate is $1\text{KM} = 1\text{DEM}$. It is now also tied to the euro at the same rate as the DEM ($1\text{KM} = 0,51129\text{euro}$). It has been tied to the euro at this rate ever since the euro was introduced on 1 January 1999. This KM/euro exchange rate will shortly be put in to the CBBH law as the DEM will soon cease to exist as a currency;
- The KM liabilities of the CBBH have to be fully backed with convertible foreign assets. At the end of November 2001 our KM liabilities were KM 1,55 billion and our foreign assets were KM 1,62 billion so we had more than 100% coverage;
- The CBBH has to be prepared to convert KM for DEM at any time for any amount. Since we started in 1997 we have issued KM 5,43 billion and we have converted back KM 4,11 billion. So it has been a fully convertible currency.

Linking the KM to the DEM through a currency board was an easy choice for BH because the DEM was already extensively used in the country and was the currency people trusted.

It has been a successful choice too:

- The KM has been a stable currency against the DEM and the euro since it was introduced;
- Inflation in BH is low and stable. The latest figures are below 1% per annum in both entities;
- KM use has risen rapidly within BH and it is now the dominant transactions currency in all parts of the country. Our KM liabilities have risen from KM 132 million when we started in August 1997 to ICM 1,55 billion at the end of November 2001.;
- The KM can even be traded in a number of other countries in Europe.

I do not think there is any other type of monetary policy, except the adoption of the DEM as the currency of BH, that could have given a country like BH a stable and trusted currency and low inflation this quickly.

Why has the currency board worked in BH?

I think there are four main reasons:

- First, people have faced many financial traumas. They therefore value a stable currency. The currency board consequently has a high level of public support within BH;
- Second, people had complete trust in the anchor currency, the DEM. A strict currency board has allowed the CBBH, a new institution with no track record, to gain some of the credibility of the DEM and the Bundesbank;
- Third, some people say it is because the CBBH has a foreign governor. I think that is only a small part of the reason.
- In my view, the major reason it has worked is the very good legal and institutional framework the CBBH operates under:

- The goal of the CBBH is simple, clear and specified in the law;
- The law limits our activities where there would be any potential conflict with the currency board requirements;
- Within these statutory goals and limitations, the CBBH is independent of political direction;
- We have sensible and sound internal decision-making processes;
- We are easily and firmly held accountable. A breach of the currency board requirements would be quickly obvious to all. Within the current economic jargon, it is a very transparent form of policy implementation.

Some economists and others argue that a currency board has disadvantages because of the limitations it places on the economic roles of the CBBH. For example:

- The CBBH can not play a role in providing liquidity to the banking sector (i.e., it can not act as lender of last resort);
- The CBBH can not finance the government;
- The CBBH can not play any direct role in financing economic development;
- The exchange rate cannot be used as a tool to adjust to economic shocks or poor economic performance.

These areas of policy discretion, if used wisely and in moderation, could be of advantage to economic development in BH. There are lots of projects in BH for which a 'little bit' of CBBH finance may be helpful. But the problem would be in keeping the CBBH credit to a 'little bit' the experience of the region is that excess central bank credit has usually been created and the result is inflation. That does not help business, employment or confidence in BH. So in my view, the strict currency board is the best approach for BH and that to change it would have very adverse economic and social impacts.

I fully understand the concerns about the state of the economy and the high level of unemployment that are causing people to examine all the policy options BH has to try and address these problems. But to change the currency board would be the wrong option and would make things worse rather than improve them.

Some people are saying that to adopt a currency board is to give up monetary policy as an instrument of macro-economic policy. That view is wrong. Deciding to adopt a currency board is as much a monetary policy choice as adopting any other type of monetary policy. It is a rule-based rather than a discretionary form of monetary policy, that's true. But that is a major reason why it was chosen and is one of its strengths rather than a weakness.

By choosing to adopt a currencyboard, BH decided that the aim of monetary policy will be to achieve stability- stability in the value of the local currency against the anchor currency and stability in the rate of inflation. The desire for stability has led to a revival of interest in currency boards in the 1990s when 6 or 7 were established, including the one in BH. During the 1990s a number of countries took the desire for currency stability further by fully adopting the currency of another country (so-called dollarisation) or introducing a new common currency over a number of countries (the euro zone). Such areas have taken the currency board principle of the importance of currency stability to their furthest extent by adopting someone else's currency or a common currency, Once one adds to these countries all the countries that have during the 1990s adopted some form of inflation targeting, the overwhelming direction that monetary policy around the world has been taking over the last fifteen years is to make stability the objective of monetary policy.

So the monetary policy being implemented in BH through the currency board is not unusual at all. What would be unusual, and would have a very adverse effect on potential foreign investors, would be a return in BH to the old discretionary type of monetary policies that have failed in many countries - and failed spectacularly in this region. I think a more apt name for that type of monetary policy would be indiscretionary rather than discretionary.

I believe therefore that the BH currency board must be continued for the following reasons:

- There is widespread public support for it because it has provided one of the few elements of stability the people of BH have had for some time;
- It would be risky to change it. Confidence in the KM would drop as people waited to see how any alternative monetary policy would work;

- Currency boards have³ worked well in other eastern European countries such as Latvia and Bulgaria. Currency boards and joint currencies are becoming acceptable, even fashionable;
- The long-term goal of BH policy is to take the economy closer to Europe. The KM is already tied to the euro. It would therefore seem sensible to maintain this link;
- Alternative types of monetary policy are much more likely to generate inflation rather than economic growth. There is one academic in BH who has said publicly recently that an inflation rate of around 20% would be good for economic growth and employment in BH. I have not seen any evidence from anywhere to support such a claim. Most countries in the world are aiming for inflation in the low single figures - because they believe that is the best inflation rate to promote investment and economic growth. Also it would be impossible to maintain an inflation rate at around 20%. All the pressures would be for it to rise further.

Stability in a country's exchange rate and inflation rate are extremely important economic benefits. They allow people to plan their economic decisions ahead with more confidence. This is particularly important for investment as the economic return from any investment is spread over many years. Stability in inflation and the exchange rate are therefore critically important for investment. A small country like BH needs substantial private foreign investment. Foreign investors don't need to come to BH. They can supply the small BH market from a neighboring country or even from their home country.

Stability in inflation and the exchange rate are also extremely important for financial sector development. At present, the main risk the banks need to focus on is the credit risk of their borrowers. This is still a major problem in BU but as it is the main area of risk, it is possible to develop policies to progressively reduce it. As a consequence, we are seeing the banking sector in BH becoming more normal. But if the banks also had to worry about inflation risk and exchange rate risk, I am sure we would not have seen any significant improvements in the banking sector.

Stability is also an important social benefit because it is more frequently the poor who suffer from the adverse affects of devaluation or inflation. The rich or well-connected

can often find ways around it or even ways to benefit from it.

Other CBBH roles:

One other important role of the CBBH is our role in the payments system. We issue the KM and that has become the dominant means of cash payments in BH. Three of the four currencies that were in use in BH back in 1997, the Bosnian dinar, the Yugoslavian dinar and the Kuna, have either completely or largely disappeared from BH. The fourth one, the DEM, is still in use but it too has been substantially replaced by the KM over the last three years. This trend has accelerated over the last few months because of the impending replacement of the DEM by the euro. We sent 935 million of DEM currency back to Germany in 1999, 842 million in 2000 and so far we have sent over DEM 1.9 billion back this year. That is a grand total so far of DEM 3.7 billion.

The CBBH also played a major role in reform of the domestic non-cash payments system.

Banking sector:

The country has an improving banking sector, The reform in the banking sector has gone further and faster than reform in any other sector. Confidence is coming back, depositors are beginning to return to banks and banks are beginning to lend on more reasonable terms. Competition is real, helped by the arrival of some good foreign banks. Proportionately, foreign investment in the banking sector has been higher than in any other sector in BH. Yet we have politicians criticizing banks for not lending enough and for holding so much of their liquidity outside BH. These politicians need to ask themselves why banks are still reluctant to lend more in BH. After all, banks are in the business of lending, as that is how they earn their income. But they will only lend if they can be confident that the customer will pay back the loan or, if he does not, they can go to the courts. So the key need is to get these banking risks down. The worst thing to do would be to pressure banks to ignore the real commercial risks that still exist in BH.

Conclusion:

Unless the regulatory, legal and tax systems are changed, and changed quickly and substantially, BH will have a very difficult future. These problems are interrelated and have a common core - a lack of understanding of the way in which a private sector economy works and what the investment environment needs to be like to attract the level of investment that BH needs.

This is where the attention of BH politicians and international consultants and advisors needs to be directed. It is this basic regulatory and microeconomics reform that will determine the future of BH.

There is not one, quick policy fix that BH can adopt to get themselves out of the difficult economic situation that has built up over a long period of time. It is not that simple. Continued banking reform accelerated regulatory reform, legal and court reform, reduction of bureaucracy, lowering of the tax burden, privatization - there is a long list of things that need to be done. And time is running out to do them.

In the meantime, the stability of the currency board is the most positive attribute BH has for attracting foreign investment. Given the fragility of the economic and balance of payments situations in BH at present, undermining the stability of the KM by adopting some other discretionary form of monetary policy would be the best way I can think of to guarantee that BH will have an economic crisis.

Macro-economics sustainability in BH

1. While I believe strongly that BH should maintain its currency board, there will need to be changes made in other areas if BH is to have macro-economics sustainability over the medium term. The currency board requirement means that the CBBH cannot issue KM currency in any quantity it chooses or the economy needs. The amount that can be issued is tied to the net position of Bosnia Herzegovina's external accounts. This is the currency board arithmetic.

What does this currency board arithmetic mean for a central bank and a country? If the net position on a country's external accounts is positive, the central bank's foreign reserves will increase as the foreign inflows are changed into the domestic currency. There is nothing to stop a currency board having more than 100% backing for its

domestic currency liabilities. (Indeed, at present the CBBH has foreign reserves equal to 106% of our KM liabilities.) So if the overall foreign accounts are in good shape, there will be no pressure on the currency board and medium term economic sustainability will be easy.

But, if the country's overall foreign accounts are negative, the situation is very different. If people wish to buy foreign exchange with their KM currency, the CBBH has to do so without limit. That is what full convertibility means. The level of the CBBH's foreign reserves will fall as will the volume of the domestic money supply. The currency board rules will still be met, but the balance sheet of the CBBH will decline and could continue to decline until there were no more foreign reserves. At that stage, BH could only meet foreign expenditures as they earned or gained foreign exchange.

The current positions of the balance of payments of BH are a cause for concern. The trade deficit is very high. The amount of foreign private capital coming into the country is still very low. The flows that have made the situation work are the large amounts of official capital and repatriations by Bosnians living abroad.

Looking ahead:

- We know the level of official capital flows will slow, the only uncertainty being exactly when this will occur;
- It will be difficult to rapidly increase export receipts, though more could be done than has so far occurred;
- The country is very heavily dependent on imports. A slowdown in reconstruction will slow imports to some extent. But a rapid slowdown in imports would also hurt consumption and living standards;
- It is difficult to predict or rely on repatriations;
- The item that has the most potential to change rapidly is foreign private investment. But for BH to attract more foreign private investment the environment for private investment will have to change substantially.

If BH does not attract large quantities of private foreign investment, pressure will come on the level of foreign reserves as the official capital flows slow down. This in turn will

decrease the domestic money supply and put upward pressure on interest rates. Monetary policy as implemented through a currency board Arrangement is pro-cyclical when the economy has a foreign exchange problem i.e. it will increase the pressure on the economy.

The situation facing the BH economy is critical and urgent. Most of the policy-makers have some understanding of the foreign exchange problems. But they still seem to think they have policy choices and a sense of urgency is lacking. In my view the only choice is to make BH an attractive place for private investment and to do everything necessary to attract foreign private capital. If that does not happen, the BH economy will have major foreign exchange problems and the currency board will be unable to protect the country from those shocks. Indeed, it could become one of the victims of those shocks as politicians look for scapegoats to explain the country's economic problems to the people.

Foreign investment is increasing. In 1999 for example, direct foreign investment was 50% higher than in 1998 and though we do not yet have figures for 2000, I am sure it has risen strongly again. But while this growth rate sounds spectacular, it is from a very low base. Direct foreign investment into BH in 1999 is estimated to have been KM 170 million. The current account deficit for that year was KM 1.4 billion. So private foreign investment financed just 12% of the current account deficit. That year BH needs to be increasing private foreign investment by around 200% a year over the next two years rather than 50% a year if the current economic growth rates are to be sustainable when the official aid flows slow down.

This target is possible. The arrival here of foreign banks from Austria and Croatia shows that there is increased interest from foreign investors. But the climate for private investment in BH is still far from supportive. This applies to local investment as well as foreign investment. There are still problems in the legal system, which is incomplete, the licensing and regulatory systems, which are far too bureaucratic, intrusive and multi-level and in the financial system, which is still relatively weak.

Improving the environment for private investment, both local and foreign, is the key economic issue facing this country. It is this that will determine whether BH has a sustainable economy - and whether it is a country in which good students like you should stay to be a part of its future.

The second statement is that the banking sector in BH has been through many significant changes over the last year and it is in better shape today than it was when we held our last conference. Indeed, the improvements have been even more rapid over the last year than they were in the preceding year. That's very positive. I will briefly list some of the most significant changes over the last year:

- The payments system has been reformed and now matches best European practice;
- There have been significant increases in a bank's minimum capital imposed by the banking agencies;
- Deposit insurance has started and is having an impact on citizens' confidence in banks;
- More foreign banks have started operations in BH;
- Five banks now have branches in both entities;
- And so on.

But the third thing I have said in past years and have to repeat this year is that there is still a long way to go before BH has a banking sector that can play the major economic role that the banking sector plays in most other economies in Europe. We are still at an early stage in the bank reform process.

At our two past conferences I have spoken mainly about bank reform and payments reform rather than about the central bank and the BH currency board arrangements. There were two reasons for this. The first was that there was so much happening in bank reform and payments reform. The second was that I thought that the currency board arrangements were well understood and accepted and I didn't need to say too much about them.