

AN INTRODUCTORY WORD BY THE PRESIDENT OF THE COUNCIL OF THE CENTRAL BANK OF MONTENEGRO

The year 2002 could be described as one which led to the stabilization of both political and economic relations in Montenegro. After two years of political instability Montenegro obtained a stable Government, and activities on harmonization of relations with Serbia were brought to an end. For the first time in 25 years there was one digit inflation in Montenegro, and budgetary and balance of payments deficit decreased. The growth of unemployment was stopped and the trend was directed in the opposite direction. Despite the unfavorable conditions, first of all political, DP although still insufficient enabled new investments. This stabilization is promising and means that Montenegro will be able to achieve substantial economic growth in the following mid-term period.

After great difficulties we were faced with in the first year the Central Bank of Montenegro entered a more stable phase of its activities. The banking system was purged of unhealthy and non-solvent banks. Interim management and preparations for privatization of Montenegrin's biggest bank – Montenegrobank under international trust and for the purpose of selling it to a reputable foreign investor successfully ended. Furthermore, Basel standards for supervision (except for one part which will be applied after establishing the scheme of deposit insurance) were applied, as well as international accounting standards. The structure of the banking system radically changed. Participation of private capital together with Montenegrobank amounts to 75%. All performances of the banking system significantly improved. At the same time, on the basis of acquired experience laws and regulations were completed.

In spite of the unfavorable international position of the Central Bank of Montenegro, an aggressive anticampaign, and interference in transportation by so called Federal authorities, the conversion of DEM to EUR successfully finished, and not a single banknote transported abroad was a forgery.

Parallel to the maintenance of a satisfactory level of efficiency of the existing system of payment operations, the necessary preparations such as making regulations and testing of future procedures through pilot projects were made, and the process of moving payment operations in banks started and should be finished by the end of 2003.

Mandatory reserve rate was activated as a key instrument of monetary regulation, and for the purpose of more efficient managing of budgetary and state assets we regularly organized auctions of treasury bills.

Regular macroeconomic analysis of developments in monetary, fiscal, and external areas were made, and we prepared suitable references for the economic policy.

In given circumstances we promoted international cooperation, and through different training and professional improvements we raised the level of knowledge and skills of the employees.

Through regular communication with the public, and activation and updating of our web pages we made our work public and transparent.

Ljubisa Krgovic