

XII Regional Summit of Governors, Finance Ministers, and Tax Administration Directors

Opening Remarks by Governor Irena Radović

Dear Mr. Vlahović, esteemed colleagues, Summit participants, dear friends,

It is both a pleasure and an honor to wish you a warm welcome on behalf of the Central Bank of Montenegro (CBCG) and on my behalf to Bečići. I can already confidently state that this now traditional XII Regional Summit of Central Bank Governors and Finance Ministers will be a successful one, delivering meaningful strategic messages from decision-makers across the region and beyond.

I would also like to take this opportunity to thank the Serbian Association of Economists for their excellent cooperation in organising this important forum, which year after year reaffirms its relevance as one of the most significant regional platforms for dialogue on financial and monetary stability and fiscal challenges.

Allow me to begin with a broader macroeconomic context. After several years of inflationary shocks and monetary tightening, the euro area is facing a slow and uneven recovery. Growth projections for 2025 remain well below potential. Industrial production is stagnant, investment is uncertain, and while inflation has significantly declined, it is still not fully under control.

The issue of fragmentation in the global economic order is no longer theoretical. We are now witnessing the formation of parallel trade, investment, and technology blocs.

Sanctions, tariffs, and export controls are increasingly used as tools of political power on a global scale. This directly affects us, as the Western Balkans economies are deeply integrated into European flows and feel the pressure through supply chain disruptions, rising prices, and interest rate margin stress.

Inflation is no longer transitory. Its structure has changed significantly. Today, we face so-called imported *cost-push inflation*—driven by geopolitical tensions, fragmentation of trade chains, rising energy and food prices, and disruptions in global logistics flows, but also as a result of domestic imbalances. For small, open economies like ours in the Western Balkans and the broader region, this means traditional monetary instruments are losing effectiveness, and our economies are increasingly dependent on the decisions of major central banks. This implies the need for a combination of instruments: monetary, fiscal, regulatory, and communicational. Because managing inflation expectations has become just as important as managing nominal aggregates.

Today, the central banks of our region face a wide range of challenges that are global in nature but regional in intensity.

Central banks in small and highly open economies must be both flexible and adaptable, while also firm in preserving trust in the financial system.

Their role demands not only a high level of technical expertise but also strategic adaptability, institutional cooperation, and the ability to act pre-emptively in an increasingly unstable global environment.

At the same time, central banks are increasingly emerging as drivers of reform, promoters of sustainable growth, leaders in digital transformation, and guarantors of transparency and good governance—points emphasised this morning by both the President of the Serbian Association of Economists and the Director for Enlargement of the European Commission. Our role is expanding to include consumer protection, strengthening financial literacy, implementing the green agenda through the integration of ESG standards, and supporting a more inclusive and resilient financial system.

In such a context, communication becomes a strategic tool—not only to explain decisions, but also to build trust, counter disinformation, and strengthen social consensus around the necessity of reforms. A particular challenge lies in operating in an environment where there is resistance to change—whether for political, economic, or cultural reasons.

That is precisely why strengthening communication capacity and public engagement tools—tailored to the specificities of our economies—has become a key prerequisite for the effective functioning of central banks.

Despite all the challenges, the region's central banks have demonstrated resilience and commitment—proving that with a clear vision, professionalism, and international cooperation, we can be both pillars of stability and agents of transformation for our economies.

In this context, I would particularly like to emphasize that the independence of central banks is not a privilege—it is a prerequisite for the effective and responsible fulfilment of our mandates. As the previous speaker, the Director-General for Enlargement of the European Commission, Gert Jan Koopman, just noted, it is often forgotten that sound economic governance is a core value and a fundamental part of the EU accession process. Only institutions that are shielded from political influence can make decisions in the public interest—free from populism and with a long-term vision. Preserving institutional autonomy is not only a matter of credibility, but also of a society's democratic maturity.

In addition to global challenges, we are also facing local ones—such as the rapid growth of credit activity, rising real estate prices, and structural weaknesses in the labour market. At the same time, monetary policy instruments are becoming increasingly ineffective—due to formal euroization or the high level of informal euroization that characterises our economies, but also because of changing transmission mechanisms. The “one objective – one instrument” model is no longer sufficient. More than ever, central banks are expected to do more.

In this context, regional cooperation becomes imperative. Only through coordinated and synergistic action can we effectively address challenges such as:

- Energy security and transition;
- Diversification of suppliers and markets;
- Joint efforts in combating money laundering and terrorist financing;
- Managing climate and digital risks;
- Creating interoperable payment systems,

through which our small and fragmented markets and economies can gain strength.

At the CBCG, our focus is on preserving financial stability, improving the regulatory framework in line with European standards, modernising payment systems, and strengthening institutional resilience in the face of external shocks. Our currency is the euro, which means we have very limited monetary policy instruments and, to a large extent, import the effects of ECB decisions. However, even countries that retain their own currencies are increasingly facing the limitations of conventional instruments—because a growing number of shocks are being transmitted through unconventional channels.

Despite this, we have demonstrated resilience. Our banking sector remains highly capitalised, solvent, liquid, and profitable. We have seen significant growth in credit activity and deposit inflows. The level of non-performing loans (NPLs) is at a historic low—below 3%—while monetary and macroprudential measures have helped preserve stability even under crisis conditions. I believe I can confidently say that our financial system is the healthiest and most regulated segment of Montenegro’s economy.

The past year was marked by significant progress in European integration. We aligned our regulatory framework with the EU *acquis* in the areas under our jurisdiction, including banking, payments, and anti-money laundering and terrorist financing—fully in line with the legislative packages currently in force in the EU-27. We successfully fulfilled our obligations under Negotiation Chapters 4 (Free Movement of Capital) and 9 (Financial Services) by delivering a package of 16 systemic laws to the Government for further procedure last September. These laws are essential for closing both chapters and are also crucial for achieving EBA equivalence—equivalence with the European Banking

Authority. This would grant Montenegro the status of a “third country equivalent” with the EU, bringing a range of positive outcomes, from significantly improved credit ratings to more favourable treatment of our debt by commercial banks, as well as greater investor confidence and increased attractiveness of Montenegro as an economic area. We also made substantial contributions to an additional nine negotiation chapters. I am particularly proud of the work the CBCG team has done in advancing Montenegro’s integration into the European financial ecosystem.

Under the leadership of the CBCG, Montenegro became the first Western Balkan country to join the Single Euro Payments Area (SEPA geographical area). Moreover, most Western Balkan countries have either been integrated or are in the advanced stages of joining SEPA, which sends a strong signal of regional commitment to European integration and the modernisation of financial infrastructure. It also reflects our shared prosperity, as only through a coordinated and synergistic approach—completing the integration of our regional market as part of the EU Single Market, to which we have gained access well before full EU membership—do we have a real chance for our economies to become significantly more interoperable and prosperous.

For us, SEPA goes far beyond a technical payment reform—it is a strategic tool for European integration. But the broader implication is even more important—SEPA is a pathway to full digital interoperability, harmonization of financial standards, development of the fintech sector, and strengthening market confidence.

It also paves the way for the digital euro and its future functionalities—which will certainly transform the relationship between central banks, commercial banks, and end-users. This is why SEPA serves as a bridge connecting the financial infrastructure of the Western Balkans with that of Europe.

In this context, I want to highlight the continuous and dedicated participation of colleagues from the central banks of the Western Balkans. What I am especially proud of is that among professionals committed to their vocation and to economic prosperity—free from political influence—there is nothing but full dedication, strong solidarity, partnership, collegiality, and a genuine willingness to support and help each other. The positive effects we aim to achieve are for all our economies and the region as a whole.

I would also like to emphasize our exceptional cooperation with the central banks of Slovenia and Croatia—our traditional partners and among the strongest sponsors and advocates of our European future. These are central banks that consistently and strongly support us—in a spirit of partnership and collegiality—whether in regulatory advancement, supervisory progress, or the organization of forums. Their consistent engagement confirms that they see us as part of their own community and the wider European flow.

Also, for the first time in the twelve years of this outstanding regional Summit, we have the presence of high-level representatives from the European Commission, the European Central Bank, and the World Bank.

This year's participation of senior representatives—Mr. Gert Jan Koopman from the European Commission, Mr. Ulrich Bindseil from the ECB, and the esteemed Mr. Matija Laco from the World Bank—confirms the strategic importance our international partners place on regional cooperation in the areas of financial integration, SEPA and TIPS adherence, and the modernisation of payment systems. Their presence sends a strong message of support for our reform efforts and European perspective.

The discussions that will follow today will demonstrate that the financial system is a powerful channel of economic convergence and a means for achieving broader societal progress. Its purpose must be in the service of creating equal opportunities, inclusion, and economic empowerment of all citizens and businesses. In that spirit, beyond the modernisation of payment systems, we place special emphasis on developing digital solutions as a key tool for expanding access to financial services, reducing transaction costs, and building more inclusive, resilient, and efficient financial systems. Digitisation is no longer a choice—it is a prerequisite for making finance more accessible, transparent, and tailored to the real needs of people and businesses, especially in our part of Europe and in less developed and rural areas.

Dear colleagues,

This is a time of redefining the role of institutions. A time when stability cannot be taken for granted—it must be built daily. A time when every regulatory step must be both cautious and decisive. The XII Regional Summit of Governors and Ministers of Finance is a space where we have the opportunity to articulate not only our responses, but our common ambitions.

For our central banks to be not just national shields—but regional pillars of trust.

That is why I invite all of you to use the next two days for an authentic, meaningful, and strategic dialogue. To clearly define key areas of future cooperation and our priorities in the spirit of shared values and our common European future—not only declaratively, but operationally. Because our responsibility is not just to react. Our task is to be drivers of change. In times of challenge—to represent a source of stability. In times of uncertainty—to inspire confidence.

Thank you.