



USAID/BiH Mission Director Peter Duffy, Opening Remarks at the Conference “The Future of Cash” on November 15, 2018, Sarajevo, Bosnia and Herzegovina.

- Good morning Governor Softic, distinguished guests of the banking community, ladies and gentleman. I appreciate the opportunity to welcome you to this conference of importance and interest entitled “The Future of Cash,” and in celebration of the 20th anniversary of the KM!
- USAID is pleased to partner with the Central Bank of Bosnia and Herzegovina in organizing this conference through our Financial Reform Project-FINRA.
- Twenty years ago, the Deutschemark was one of several currencies legally circulating in Bosnia and Herzegovina, alongside Bosnian dinars, Croatian Kuna, and Serbian dinars. Today, there is only one currency accepted in every corner of BiH: The KM.
- USAID stood beside the Central Bank when it introduced the KM in 1998 and we are proud of the currency’s contribution to today’s economic stability in BiH. The Central Bank manages the currency board, one of the most important economic institutions in BiH.
- Citizens and investors value the KM’s stability. It is comforting to know that the KM will not lose value to the Euro. Prudential management of foreign currency reserves by the Central Bank ensures the KM’s stability.
- USAID FINRA aims to improve the efficiency of the Central Bank, working together towards this goal, helping the Bank streamline its human resources and administrative costs, and increase its effective governance.
- I want to make one point very clear – we strongly support an independent Central Bank. Political influence in the Bank should not be entertained. Bank reserves should be used for backing the currency board, nothing else. Political calls to abandon the currency board do not address the risks and instability this could bring.

- Namely, the risk of currency substitution. The risk that the commercial banking system could be plunged into crisis, if people were to withdraw KM to buy and hold hard currency. And of course, the risk of hyperinflation.
- With the political uncertainty in BiH, these are real risks. All monetary regimes rely on credibility. The currency board has served BiH very well for the twenty years that we celebrate today. We absolutely must deny any call to abandon it.
- In addition, it is important to highlight how the Central Bank operates the country's payments system in a smooth and efficient manner, underpinning the day-to-day functioning of the economy. USAID was the lead donor in providing both the expert technical assistance and IT equipment to introduce this modern payment system to the Central Bank, considered to be one of the most successful economic reforms in BiH.
- The Central Bank is increasingly focused on cybersecurity to protect citizens' personal data and privacy and FINRA works with the Central Bank's department for economic research and analysis to produce analytical products that are useful to investors and analysts.
- Like all government institutions, the Central Bank must continue to strive to improve its operations. It needs to increase its governance and managerial effectiveness, and must achieve greater transparency to gain full public trust.
- In BiH economic stability is undeniably linked to the stability and independence of the Central Bank. The USG will remain a steadfast partner and will not waiver in advocating for its independence.