

## 3. FOREIGN RELATIONS

### 3.1 Multilateral Relations

In the area of multilateral relations, the activities of the NBS in the first year of its existence focused on fulfilling the obligations arising from Slovakia's membership in international financial institutions after the split of the former CSFR, namely in the International Monetary Fund (IMF), the World Bank (WB), the European Investment Bank (EIB), the Bank for International Settlements (BIS), the European Bank for Reconstruction and Development (EBRD), the International Bank for Economic Cooperation (IBEC), the International Investment Bank (IIB) as well as other international institutions for economic cooperation, such as the European Union and GATT, in which the NBS closely cooperated with the Slovak Government.

#### IMF and WB

In view of the needs of the transformation process in the Slovak economy, the activities of the NBS in relation to the IMF and the World Bank were given priority. Czechoslovakia was one of the founding members of the International Monetary Fund; membership of the CSFR was renewed on 20 September 1990. The Slovak Republic was granted succeeding IMF membership on 1 January 1993. Based on the new membership, Slovakia also assumed financial obligations resulting from the split of IMF loan facilities extended to the former CSFR in the ratio of 2:29:1. The quota of the Slovak Republic stands at SDR 257.4 million.

In the middle of 1993, Slovakia received USD 90 million under the first tranche of a Systemic Transformation Facility (STF) of the total of USD 180 million that the IMF extended to the Slovak Republic. The IMF grants loans to its member countries only if the country fulfills an agreed-upon economic programme.

The World Bank granted the former CSFR a USD 450-million Structural Adjustment Loan (SAL) designed to offset short-term deficits in the country's balance of payments. After the split of the federation, the loan was divided in a 2:1 ratio, leaving Slovakia with an SAL share of USD 150 million. In the first half of 1993, the NBS made the necessary arrangements with the WB to release the third SAL tranche of USD 39.8 million. It was the last tranche of the loan which the WB had extended to the former ČSFR.

#### BIS

The central bank of Czechoslovakia was one of the founding members of the Bank for International Settlements in 1930. Upon the extinction of the SBCS (Czechoslovak State Bank) on 31 December 1989, the Czech and Slovak Republics legally succeeded the former CSFR and split the holdings of BIS shares at a ratio of 2:1, which entitled the NBS to 2,670 BIS shares representing 6.675 million golden francs, giving the NBS an equal voting power in the BIS, and a proportionate amount of gold holdings. In 1993, the NBS became involved in all activities of the BIS.

#### EIB

On 17 February 1993, the European Investment Bank (EIB) and the NBS signed an ECU 28 million Global Apex Loan agreement for the support of small and medium-sized businesses in the fields of industry, travel, environmental protection and energy efficiency improvement in Slovakia. Subsequent to this agreement, the NBS and the VÚB a.s. commercial bank signed a general credit agreement based on which the EIB funds will be channelled to the businesses.

In November 1993, an EIB mission in cooperation with the NBS, visited Slovak commercial banks to encourage their involvement in channelling the funds.

### **IBEC and MB**

Both institutions were founded within the former COMECON group of countries. Slovakia, as one of the successors to the former CSFR in 1993, continued cooperation with these two institutions.

The assets and liabilities with these institutions were divided with the Czech Republic in a 2:1 ratio. The Slovak Republic became a member of IBEC and MB on 1 January 1993.

In November 1993, the NBS organized the 59th meeting of the MB Council and the 82nd meeting of the IBEC Council in Bratislava.

### **OECD**

The OECD is an organization of the most developed economies in the world. Slovakia's cooperation with the OECD began when the Slovak Ministry of Foreign Affairs established a Coordination Committee for cooperation with OECD, in which the NBS is also represented. This move demonstrated Slovakia's interest in the offer for cooperation within the programme entitled "Partners in the Process of Transformation". This programme is considered to be a step towards full OECD membership.

NBS representatives were actively involved in the preparation of the Economic Survey, the latest version of which was defended before the OECD in Paris by representatives of key sectors of the Slovak economy and by the NBS in November 1993.

The Memorandum of Understanding signed between the OECD and the SR in December 1993 expressed our efforts to accelerate the process of a market-oriented transformation. Further development of mutual cooperation between Slovakia and OECD depends on our ability to cope with a whole range of demanding tasks aimed at recovering our domestic economic relations and bringing Slovakia towards full OECD membership.

### **GATT**

Membership in GATT represents another remarkable outcome for the Czech and Slovak successors to the former CSFR.

Final negotiations in the Uruguay round of GATT talks in the second half of 1993 also included the preparation of a new General Agreement on Trade and Services (GATS). Slovakia's offer of banking and other financial services was prepared and defended in direct negotiations at GATT headquarters in Geneva by NBS representatives. The Uruguay round of multilateral trade negotiations which closed in December 1993 is of essential importance for the development and intensification of Slovakia's trade and economic relations with most of the world and for further integration of Slovakia into the world economy and international trade system.

### **EXIM BANK OF JAPAN**

At the outset of its activity, the NBS established contacts with a renowned financial institution, the EXIM BANK OF JAPAN. Intensive negotiations resulted in the preparation of a two-tier loan earmarked for the support of small and medium-size businesses.

## **3.2 Bilateral Relations**

Within the process of building bilateral relations, the NBS focused on establishing links with central banks of developed market economies (Germany, Great Britain, and France). The development of bilateral relations was influenced by the character and conditions of the transformation process in the Slovak Republic, as well as by the efforts to find suitable forms of presentation of the NBS to the world.

One of the most important tasks in 1993 was the Bank's cooperation with the Czech National Bank (CNB). Priority was given to the solution of mutual trade relations within the Payments Agreement, to payment arrangements, and to the functioning of the Customs Union. In 1994, the NBS held negotiations on cooperation in the field of training as well.

Also of importance was the Bank's cooperation with the central banks of other neighbouring countries. The NBS prepared an agreement with the National Bank of Hungary on non-trade payments in national currencies, signed agreements of cooperation with the National Bank of the Ukraine and with the Central Bank of the Russian Federation.

Other activities of the NBS in the field of bilateral relations concentrated in Romania, Bulgaria, China, India, Pakistan, Poland, Cuba, and Vietnam.

## **3.3 Technical Assistance**

### **European Union - PHARE Programme**

After the split of the CSFR and with the consent of PHARE representatives, the CNB and the NBS agreed to share PHARE funds under the two-to-one formula.

On 4 January 1993, an independent Project Management Unit (PMU) was established for the PHARE programme at the NBS. Since then, the PMU assumed responsibility for the coordination of PHARE assistance within the whole banking sector in Slovakia.

The Project Management Unit operating at the NBS worked out a programme (Work Programme 2) for 1994 within the framework of GTAF II, for which a financial aid was approved in Brussels in the amount of ECU 950 thousand.

In 1993, the Bank obtained two foreign experts for long-term cooperation (special advisers to PMU and the Banking Supervision Department), and a number of experts specializing in the solution of bad loans, training of bank employees, capital market operations, the activities of the Slovak Bank Association, etc. For 1994, PMU prepared the so-called Indicative Programme, which defined the priorities of the banking sector. The funds obtained for this programme amounted to ECU 2 million.

The PHARE Programme also contributed to the training of banking professionals for the whole financial sector of the Slovak Republic.

### **Know-How Fund**

The British Know-How Fund plays a significant role in the training of bank employees within the whole banking sector in the Slovak Republic. The NBS personnel policy adviser, acting at the Bank since January 1993, also came to Slovakia through the Know-How Fund.

### **IMF and WB**

Apart from granting loans, the International Monetary Fund (IMF) and the World Bank (WB) renders the Slovak Republic assistance in the field of professional training. Through their training centres in Vienna and Washington, D.C., the IMF and the WB offers special training courses to Slovak bankers.

### **Central Banks**

Since 1993, the NBS has had close ties with the Bank of England, the National Bank of Belgium, the German Bundesbank, and the Austrian Bankers' Club supported by the Austrian National Bank. However, the Bank's ties of cooperation with other training centres abroad are not negligible either. For Slovak banking professionals, the most significant sources of know-how are the Bank's direct contacts with other central banks throughout the world.

Technical assistance in the field of training is also provided by other leading financial institutions, like the US Treasury, KPMG Peat Marwick, and the Belgian Bank Association. Another significant contribution came from USAID, under the aegis of the US Embassy in Bratislava.