

# Foreign Activities







# 8 Foreign Activities

## 8.1 The European Union

Active cooperation of Národná banka Slovenska with the EU institutions and its Member States continued also in 2007.

Národná banka Slovenska participated in the preparation of an updated Convergence Programme of the Slovak Republic for 2007-2010, and the NBS Governor was a member of the delegation which presented this Programme in Brussels to the Chairman of the European Commission, José Barroso, and to the Commissioner for Economic and Monetary Affairs, Joaquín Almunia.

The highest representatives of NBS took part in regular informal meetings of the Economic and Financial Affairs Council (ECOFIN), which took place in Berlin in April and in Porto, Portugal, in September. The discussed topics involved social relations, the quality of public finance, financial markets, the economic condition and financial stability of the EU, tax-related issues and securities settlement in the EU.

NBS participates in the decision-making process of the EU bodies via its representatives in selected committees and working groups of the EU Council and the European Commission. NBS plays an important role in the Economic and Financial Committee (EFC) of the EU Council, and NBS experts also participate in the activities of several sub-committees. Within the European Commission committees, experts of Národná banka Slovenska take part in sessions of the committees and sub-committees for supervision (CEBS, CEIOPS, CESR), in meetings of the committee and working groups for the monetary and financial statistics and payment balance statistics, as well as in meetings of the working group of mint directors.

In coordination of Slovakia's participation in the decision-making process on EU issues, the Commission for EU Affairs, established at the Ministry of Foreign Affairs of the SR, has a significant position. In 2007, NBS continued to participate in the said process by the preparation of background papers for drafting instructions, and in the form of participation of its representatives at regular meetings of this Commission.

NBS participates in the process of preparation of EU legal acts in the form of comments. In 2007, NBS expressed its opinion on draft directives on process rules and prudential assessment criteria for the acquisition of and increase in shares in the financial sector, payment services in the internal market, consumer credit contracts, and the commencement and conduct of direct insurance and reinsurance (Solvency II).

### **The European System of Central Banks (ESCB) and the European Central Bank (ECB)**

Národná banka Slovenska cooperates with the ECB at several levels. The NBS Governor is a member of the General Council of the ECB, which convened four times in 2007. These meetings are attended by the governors of all national central banks of the EU and the highest representatives of the ECB. Other negotiations of the General Council of the ECB were held in the form of a teleconference in relation to a request by the Ministry of Finance of the SR and NBS for a change to the central rate of the Slovak koruna in the ERM II (March 2007) or on the occasion of adoption of the ECB Convergence Reports for Malta and Cyprus (May 2007). During the year, NBS representatives participated in the activity of committees and working groups of the ESCB by performing specific tasks, including the preparation of documents for negotiations of the General Council.

In 2007, the area of consultations on draft legal regulations of the ESCB member countries, which fall under the remit of the ECB, was characterized by adopting opinions on the legal regulations related to the introduction of a common currency in Cyprus and Malta. However, from the point of view of NBS, the most significant consultation in 2007 referred to the Act on the euro introduction in the Slovak Republic. Before adopting the Act by the National Council of the Slovak Republic it was necessary, in compliance with applicable procedures, to consult the ECB on this general act, which were successfully concluded. In 2007, NBS commented on a high number of ECB opinions related to draft legal regulations of the other EU Member States.



## 8.2 NBS cooperation with international institutions

### International Monetary Fund (IMF)

In connection with the fact that, as of 2006, the Slovak Republic belongs to the donor countries participating in the Financial Transaction Plan (FTP), it was invited in 2007 by the IMF to provide, for the first time, a part of foreign exchange reserves to other member states experiencing balance of payments difficulties. In 2007, the Slovak Republic granted from its foreign exchange reserves SDR 3 million.

The cooperation of Slovakia and the IMF evolved in 2007 as well, mainly through the IMF missions. In February to March, regular consultations were held with the Slovak Republic under Article IV, conducted with each member state. An IMF delegation visited Slovakia again in November 2007 (the so called Staff Mission). The main topics of the discussions at both meetings were inflation forecasts, participation in ERM II, adoption of the euro, the balance of payments and banking supervision.

In accordance with the Article VIII of the Articles of Agreement of the IMF, NBS updated for the IMF its Annual Report on Exchange Arrangements and Exchange Restrictions, and forwarded to the IMF Executive Board for notification, the list of foreign exchange restrictions that Slovakia applies in order to preserve national and international security, and to protect the financial system against financial terrorism.

In April 2007, the representatives of Národná banka Slovenska attended the Spring Meetings of the International Monetary Fund and the World Bank, held in Washington, and their Annual Meetings, held in Washington, too, in October. The meetings focused on outlooks for the world economy and financial markets, and the IMF medium-term financing strategy. The highest attention was paid, however, to the revision of the quotas of member states and member votes of the countries.

The meeting of representatives of the Belgian Constituency of the IMF and the World Bank on the level of representatives of central bank governors and Ministers of Finance, in Ljubljana, Slovenia, in June 2007, was focused mainly on the revision of IMF quotas.

In 2007, NBS represented the Slovak Republic in operations resulting from the participation of the Slovak Republic in dealing with the remission of Liberia's debt against the IMF.

### The World Bank (WB)

Also in 2007, the position of the Slovak Republic in the group of the World Bank developed depending on the transformation process of the Slovak economy and with a promising aim of Slovakia to graduate in this institution from the position of a subsidy recipient to a provider.

On 15 August 2007, the Slovak Government appointed NBS Vice-Governor Ing. Viliam Ostrožík, MBA, to the position of an Alternate Governor in the group of the World Bank for the SR.

In cooperation with the International Bank for Reconstruction and Development (IBRD), the Slovak Republic drew a financial and technical subsidy in 2007. Over the course of 2007, projects in the field of health service and social affairs, carried out through the government departments concerned, were successfully completed.

As the donor country, the Slovak Republic in the International Development Association (IDA) attended negotiations about the 15<sup>th</sup> replenishment of IDA funds. Over the course of 2007, the SR paid the second instalment of its contribution under the 14<sup>th</sup> replenishment of IDA funds, which should reach the total amount of EUR 2.07 million.

In July 2007, the World Bank issued a report on the Financial Sector Assessment Program (FSAP), which assessed the standards applied in the banking and insurance sectors.

### Bank for International Settlements (BIS)

On 23-25 June 2007, the 77<sup>th</sup> annual meeting of the member central banks of the BIS was held, where the distribution of profit was approved in the form of dividends among the BIS shareholders.

Over the course of 2007, five ordinary meetings of the Governors were held at the BIS. The meetings addressed the roles of central banks, development in the financial markets, activities of the Basel Committee, and the central bank policy in the field of statistics.

Národná banka Slovenska joined central bank surveys, which were organised by the Central Bank Governance Group within the BIS on such issues as the method of decision-making and communication on monetary policy, salary issues, perception of central banks by the public, participation of central banks in the environmental protection and the use of agreements in managing the central bank's assets.

## **Organisation for Economic Cooperation and Development (OECD)**

In 2007, the NBS representatives contributed to the activities of relevant working bodies of the OECD. In particular, they contributed to the work of the Economic Policy Committee (EPC), the Economic and Development Review Committee (EDRC), the Committee on Financial Markets (CFM) and the Insurance and Private Pensions Committee. Economies of the OECD member countries were assessed by the EDRC in 2007, including the economy of Slovakia and of some non-member countries.

In April 2007, Angel Gurría, the Secretary-General of the OECD, presented the publication Economic Survey of the Slovak Republic in Bratislava. This is a regular report of the OECD about the condition of the Slovak economy, which is prepared by the EDRC in cooperation with NBS and other Slovak institutions. The OECD report evaluated the economic development in Slovakia positively.

## **European Bank for Reconstruction and Development (EBRD)**

In 2007, the European Bank for Reconstruction and Development adopted, for the first time in its history, a resolution on the allocation of net income for 2006 in the amount of EUR 1.374 billion, since the amount of general reserves exceeded, for the first time, 10% of the registered capital (i.e. EUR 2 billion). At the annual meeting of the EBRD in Kazan, the Russian Federation, the allocation of net income to the reserves was approved by the EBRD Board of Governors.

In general, activities of the EBRD in the SR focus in a selective manner on operative objectives defined in the EBRD Strategy for the SR of 2006. In 2007, the EBRD approved a credit line for the SR for energy saving projects and renewable resources projects.

## **International Investment Bank (IIB) and International Bank for Economic Cooperation (IBEC)**

The Slovak Republic has been a member state of the IIB and IBEC headquartered in Moscow since their foundation. Upon the split in the common assets held together with the Czech Republic, on the agreed double to one principle, the Slovak Republic as one of the succession states of the Czech and Slovak Federative Republic of 1993 has a member's share in the paid-up capital of the IIB of 4.8% (EUR 10.4 million) and that of the IBEC of 6.0% (EUR 8.6 million).

## **International Investment Bank (IIB)**

A significant impulse for IIB development are procedures of the new management of the bank approved on the 85th and 86th meeting of the IIB Bank Board in 2007. The IIB implements systematically individual parts of the adopted development plan, the aim of which is to reach the status of a fully recognised international banking institution. A part of this programme is a medium-term development agenda involving the preparation of a bank strategy for streamlining banking activities in individual member states. Over the course of 2007, the IIB completed the changeover to international accounting standards, which was confirmed also by an international audit conducted by KPMG.

An important practical result of the effort made by the bank, compared to 2006, is the growth of total income by 60% and the corresponding increase in profit, which reached EUR 6.4 million. The credit/investment activity of the bank has been gradually developing, which was positively reflected in the structure and qualitative parameters of its credit portfolio.

One of the main objectives focused on for the upcoming period is to obtain an investment grade rating, which would support further qualitative development of the bank.

## **International Bank for Economic Cooperation (IBEC)**

The settlement of claims of the bank against the former Soviet Union had a significant impact on activity of the IBEC. In addition to this, the bank continued to solve problems related to its financial relations with another very important partner – the Republic of Cuba. Over the course of the year, business contacts became more intensive with Bulgaria and Mongolia.

An important moment for the IBEC in 2007 related to personnel and organization. After a prolonged vacancy, the Chairman of the Board of Directors was appointed, and the IBEC proceeded to the optimisation of the organisational structure and to development of organisational preconditions for improved performance of banking operations.

## **8.3 NBS foreign training and development activities**

Národná banka Slovenska contributes to the common strategy of the European System of Central Banks (ESCB) in the area of training and development by active participation of its representative in the ESCB Task Force on Training and Development.



The aims are to approach or build a common basis for the training and development of employees of the ESCB central banks, as well as to create a common corporate culture. The results of cooperation are common training activities focused mainly on the development of management skills and professional development of ESCB employees, coordination of training activities of individual ESCB central banks, as well as new initiatives and projects, and adjustment of the existing activities according to the current and prospective needs.

In 2007, NBS was again the organiser and the host of the first part of the seminar "Heading for Leadership", which belongs to the ESCB common training activities. Held on 21-25 May 2007 at the premises of NBS in Bratislava, the event was attended by 14 representatives of 12 ESCB central banks. In addition, the following four open seminars were organised for employees of the ESCB central banks:

1. Banking and Financial English, 14-17 May 2007,
2. Risk Management – Hedging by Derivatives, 30-31 May 2007,
3. Financial English for Corporate Lawyers and Non-Financial Managers, 15-18 October 2007, and
4. IAS/IFRS Workshop for Financial Analysts and Risk Managers, 19-21 November 2007, focused on the issues of International Accounting Standards and International Financial Reporting Standards.

All the events met stated objectives and foreign participants evaluated them positively. In total, 29 employees of the ESCB central banks participated in these trainings.

In 2007, Národná banka Slovenska organised several trainings within the foreign technical cooperation, which is coordinated by the group of coordinators working under the supervision of the Bank for International Settlements (BIS). The lecturing and consultation activities were performed by experts from the relevant specialised departments of NBS and the costs of the preparation of training were borne by NBS.

For the specialists from the supervision departments/authorities of the neighbouring countries and for other experts that deal with the issue of financial stability, for the fourth time, a workshop was organised on current topics. The three-day workshop was held in an interactive manner and representatives of all participating central banks (from the Czech Republic, Hungary and Poland) were engaged in its programme.

In 2007, the recipient of foreign technical assistance provided by NBS in a form of training was mainly the National Bank of Ukraine, in harmony with the EU common foreign policy (the so called Neighbourhood Policy). Realised activities were based on a bilateral agreement. During 2007, NBS prepared seven trainings for employees of the National Bank of Ukraine: four consultations/study visits and two specialised seminars in Bratislava, and one round table in Kiev. In terms of expertise, the events were led by 30 NBS experts and were attended by 84 employees of the National Bank of Ukraine.

Technical assistance was also provided to the National Bank of Serbia and to the Bosnia-Herzegovina financial market supervisory bodies.