

## **E. International Activities**

## 1. COOPERATION WITH THE EUROPEAN UNION

The National Bank of Slovakia is the co-ordinator of relations between the banking system and the European Union (EU), whereby within the fulfilment of individual articles of the European Agreement on association (EA) it actively facilitates the process of harmonising and making the legal and economic environment in the banking sector compatible with the legal framework valid in the EU. During 1997, in the sense of continuing political dialogue, a regular meeting of the EU/Slovakia Association Council took place (on 6 June 1997). Apart from sectoral problems of the national economy, this meeting also discussed questions pertaining to the macroeconomic development of the Slovak Republic, monetary policy and monetary strategy of the NBS, the balance of payments, and the individual steps to be taken in liberalising the capital account of the balance of payments. As part of economic dialogue, two meetings of subcommittees took place - the subcommittee for macroeconomic issues (3-4 June 1997) and the subcommittee for financial services and their institution (11 April 1997). The subcommittees discussed the current situation in financial services in the banking sector; the insurance industry, and investments; the level of approximation of the legal system in the Slovak Republic to the legal system of the EU; the level, the present situation, and the process of transformation of the banking sector; licensing policy of the NBS; providing cross-border services, as well as the state of macroeconomic development; the balance of payments, and prospects for developments in the trade balance deficit. Conclusions from the meetings described the development in these areas as acceptable, individual articles of the EA are continually being fulfilled, and the legal system in Slovakia pertaining to the banking sector is steadily approaching the legal system of the EU.

In association with the fulfilment of individual articles of the EA, the National Bank of Slovakia is participating in the programme of technical assistance provided to the Slovak Republic by the EU. The PHARE Programme underwent significant changes last year, linked to the process of enlargement of the EU. Technical and investment aid became a new orientation, and implementation of the pre-entry strategy and the accession process of the Slovak Republic to the EU became a clear priority. The PHARE Programme gained the status of the main financial instrument to provide assistance in adopting the array of EU laws (*acquis communautaire*) and implementing measures leading to Slovakia's participation in the internal market of the European Union.

The National Bank of Slovakia is cooperating with individual Slovak commercial banks and other institutions of the banking sector of the Slovak Republic in preparations of concrete programmes with the aim of acquiring funds provided through technical assistance, and ensures the implementation of specific projects. In 1998, the PHARE Programme will focus on the process of harmonising bank laws with the legal system in the EU, on assistance in implementing enhanced jurisdiction of bank supervision, and on aid in bank restructuring and their subsequent privatisation according to the principles of market economy.

## **2. COOPERATION WITH INTERNATIONAL INSTITUTIONS**

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

By submitting its application to become a full member of the OECD in 1994, the Slovak Republic assumed commitments ensuing from membership in the OECD. The position of the relevant authorities of the Slovak Republic is defined in a so-called Memorandum of the Slovak Republic, whereby the NBS expressed its stand on the implementation of liberalisation codes of OECD in the area of free movement of capital and current invisible operations. Through conclusions of the CIME/CMIT committees of June 1996, the OECD Council presented the position of OECD on Slovakia's entry into the organisation. In 1996 - 1997, the NBS carried out individual liberalisation steps in the sense of recommendations included in the conclusions of the CIME/CMIT committees regarding operations on the capital account and subsequently amended the legal framework. The NBS has observer status in committees of auxiliary bodies of the OECD, and is regularly actively participating at their meetings.

### **The World Trade Organisation (WTO)**

As a founder member of the World Trade Organisation - WTO the Slovak Republic has attended several rounds of bilateral negotiations since 1995, with the aim of further liberalising financial services. After the negotiations, individual countries submitted their revised Schedules of Specific Commitments in the Sector of Financial Services, and signed the Second Protocol to GATS. The Second Protocol legalises the commitments assumed by individual WTO members, whereby it assumes the nature of an interim agreement.

With regard to the temporary nature of this agreement and on the basis of conclusions of negotiations of WTO member countries at the conference in Singapore, negotiations were restarted at the beginning of 1997, with the aim of further liberalising trade in financial services. The Slovak Republic has actively joined this process and participated in several rounds of bilateral negotiations, and in December 1997, the Slovak Republic submitted revised Schedule of Specific Commitments in the Sector of Financial Services.

Liberalisation of trade in financial services should contribute to increased competition, effectiveness, and quality of these services, as well as better allocation of resources. On the other hand, emphasis is placed on the need for financial stability and an appropriate regulatory framework and supervision in this area. Negotiations about financial services ended on 12 December 1997. The 5th GATS Protocol was adopted within negotiations about the liberalisation of financial services. In accordance with the 5th Protocol, the ratification process should be completed by 29 January 1999, whereby it should come into force on 1 March 1999. Another round of talks is expected in the year 2000.

### **The International Monetary Fund (IMF) and the World Bank**

Cooperation of the Slovak Republic with the International Monetary Fund is now at a standard level, i.e. the level of annual consultations according to Article IV of the IMF Agreement Articles. From 28 October to 12 November 1997, a mission of the IMF carried out consultations with the Slovak Republic for 1997. In talks with the NBS, members of the mission were informed about monetary development in 1997; developments in the banking sector, as well as other contemporary aspects of economic development in the Slovak Republic. At the end of their mission, the IMF representatives spoke out resolutely against the amendment to the NBS Act and

emphasised that independence of the central bank is one of the fundamental conditions for further successful development of the economy.

Attention also was paid to the participation of senior NBS representatives at the spring meeting of the Committees of the IMF and the World Bank in Washington at the end of April 1997, as well as at the annual meeting of governors of the member countries of the IMF and the World Bank in Hong Kong in September 1997. These meetings were devoted to an evaluation of the development of the world economy; to finding solutions to the financial crisis in south-east Asia; liberalisation of capital flows; revisions of quotas of the IMF member countries, and other current problems. At these meetings, bilateral talks took place with representatives of the IMF and the World Bank, as well as representatives of other international financial institutions.

The National Bank of Slovakia submitted to the World Bank mission on 3-4 November 1997, data on the development of the banking sector in 1997, in association with finalisation of the report on the economic development of the Slovak Republic to date.

### **The Bank for International Settlements (BIS)**

The National Bank of Slovakia is actively fulfilling all its duties incumbent upon the position of a shareholder in the BIS. The most important relationships of the National Bank of Slovakia are, in the long run, implemented at the most senior level by the participation of the NBS Governor at regular monthly meetings of governors of BIS member central banks and governors of many other central banks of the world. The purpose of these meetings is to achieve a high level of mutual understanding and to co-ordinate monetary policy on an international scale.

### **The International Investment Bank (MB) and the International Bank for Economic Cooperation (IBEC)**

Representatives of the NBS attended the spring meeting of bank boards of the MB and IBEC in Moscow and the autumn meeting in Bucharest. At these meetings the Slovak delegation supported all activities leading to an improvement of the financial situation in these banks and renewal of their banking activities.

### **Bilateral Relations**

In 1997, the NBS continued developing its bilateral relations with the central banks of neighbouring countries, OECD countries, and the Russian Federation. It has established cooperation with the central banks of India and with some countries of south-east Asia, and the first contacts with the African Development Bank have been made.

### **Support Activities of Foreign Institutions in Slovakia**

In 1997, cooperation continued between the NBS and the EXIM Bank of Japan and the European Investment Bank in the area of foreign credit lines, through which the NBS participates in restructuring of the Slovak economy. The NBS has been releasing funds from credit lines such as Two Step Loan from the EXIM Bank of Japan and the APEX Global Loan from the EIB through selected commercial banks to support small and medium-sized businesses in Slovakia.

In 1997, drawing of the second Two Step Loan (TSL) was completed, and subsequently, in September the NBS and the EXIM Bank of Japan signed a contract for a third TSL credit line amounting to JPY 20 billion.

Financing from funds of the Apex Global Loan from the EIB also continued in 1997.

The NBS classifies foreign technical aid as international activities. Projects in this area were concentrated primarily on further education and professional growth of the banking staff of the NBS and the banking sector of Slovakia. A component of these activities is the effort to acquire as much financial resources as possible from various funds from abroad regardless of institutional or territorial aspects (the IMF, the US Treasury, the Know How Fund, the PHARE Programme, the BIS, individual central banks, etc.) and at the same time to guarantee their most effective application. Ways of using these funds range from receiving foreign experts here in Slovakia to sending our experts abroad; acquiring specialised foreign literature; ordering studies or analyses, etc.