

E. INTERNATIONAL ACTIVITIES



1. NBS CO-OPERATION WITH THE EUROPEAN UNION

The National Bank of Slovakia is the coordinator of banking sector relations with the European Union (EU), whereby in fulfilling the main goals of the European Association Agreement, it actively facilitates the process of harmonisation of the Slovak legislation on banking and finance with the legal framework valid in the EU, and collaborates in the deployment of technical assistance for support of the development of banking in Slovakia.

The European Commission has prepared the „Accession Partnership“, in which it sets out priority areas for each candidate country in terms of its ability to meet the Copenhagen criteria approved by the European Council in 1993. Each country was asked to prepare a National Programme for the adoption of Acquis Communautaire (NPPA).

In the first quarter of 1998, the NBS participated in the formulation of the NPPA, which examined the degree of progress in adapting legislation in the Slovak Republic to the *acquis communautaire* and defined a commitment to adopt the *acquis* in terms of short and medium-term priorities. The NPPA has two parts – implementing pre-entry strategy in the Slovak Republic and the formulation of the priorities divided into 29 sectors. The NBS participates in four working groups: sector 3 – free movement of services, sector 4 – free movement of capital, sector 11 – economic and monetary union and sector 12 – statistics. The NPPA was updated for the first time in June 1998 and the NBS took part in preparing the revised version.

In May 1998, NBS representatives took part in multilateral screening of the *acquis* (analytical testing of the *acquis communautaire*) during which candidate countries were informed about the contents of the *acquis* for individual working groups. The multilateral screening of the *acquis* was the basis for bilateral screening of the *acquis* in 29 sectors of the NPPA in 1999.

In accordance with Article 108 of the European Association Agreement, an Association Committee has been formed from representatives of the Council of the European Community and members of the Commission of the European Community on the one hand and representatives of the Government of the Slovak Republic and other institutions on the other - mainly at the level of senior government officials. A regular meeting of the EU/Slovakia Association Council was held in Luxembourg on 26 - 27 April 1998, as part of continued mutual dialogue. Delegates at the meeting discussed matters pertaining to the macroeconomic development of the Slovak Republic, monetary policy and monetary strategy of the NBS, the balance of payments and individual steps connected with liberalisation of the capital account of the balance of payments.

In working towards meeting the goals of the European Association Agreement the NBS took part in meetings of two subcommittees: the Subcommittee for Financial Services and Institutionalisation on 21 January 1998; and the Subcommittee for Economic and Monetary Matters on 16 June 1998. Discussion at the meetings outlined the current development of the banking sector in the Slovak Republic in association with the process of transformation of certain commercial banks in Slovakia.

The TAIEX Office which organises seminars and workshops in relevant topics, plays an important role in the implementation of the *acquis communautaire* into national legislation. The NBS co-operates directly with this institution through the Institute for the Approximation of Legislation at the Office of the Government of the Slovak Republic.

Foreign Technical Assistance PHARE Programme

The programme of technical assistance of the European Union to the banking sector in

Slovakia is directed by the PHARE Project Management Unit (PMU), which was set up in the Foreign Relations Department of the NBS at the beginning of 1993. The aim of EU technical assistance through the PHARE programme at that time was the support of the newly established central bank and the development of commercial banking in the new economic environment.

Since 1996, the PHARE programme has focused increasingly on activities supporting the realisation of the declared policy of the Slovak Republic – integration into the EU. In this period, projects have been prepared aimed at creating an environment suited to the conditions for Slovakia's accession into the EU.

Technical assistance from the PHARE Fund provided in the form of grants has been drawn since the beginning of the programme through five memoranda – GTAF, FM 93, FM 94, COP 95, and SR 9705. As of 31 December 1998 the programs GTAF, FM 93 and FM 94 have been completed and paid in full. Financing of completed projects is in the final phase, in the case of COP 95. Preparations, as well as performance, of approved projects is now underway within the SR 9705 programme. Concluding contracts and financing of projects has, since the beginning of the PHARE programme SR 9705, been centralised at the Office of the Government of the Slovak Republic, at the Finance and Contract Unit. The original PMU has now been renamed PIU (Project Implementation Unit).

In 1998, the following aid was provided to the NBS through the PHARE programme: technical assistance by bank supervision experts from the Banque de France; provision of a permanent advisor for the implementation of the PHARE programme in the banking sector; the financing of special seminars on mortgage banking and EU law; technical assistance to introduce distance-learning of economic and banking subjects; procurement of specialist books; organisation of an international conference on

monetary policy in transforming countries at the Finex 1998 exhibition; technical assistance associated with the introduction of the euro; and application of monetary development forecasts in co-operation with the National Bank of Belgium.

With regard to projects for commercial banks, PHARE financed a long-term comprehensive restructuring project for Všeobecná úverová banka, a.s., in the form of „twinning“ with the Bank of Ireland IS, professional advisors for the Bank Association; and financed three special seminars for the Bank Card Association. At the end of 1998, another long-term restructuring project was created for Slovenská sporiteľňa, a.s., also using the form of „twinning“ with Lloyds Bank Plc.

Since the beginning of the PHARE programme until 31 December 1998, the funds spent on programmes in the banking sector of the Slovak Republic have amounted to EUR 5.441 million.

2. CO-OPERATION OF THE NBS WITH INTERNATIONAL INSTITUTIONS

International Monetary Fund

Co-operation of the Slovak Republic with the International Monetary Fund continued on a regular basis. As part of monitoring the development in the Slovak Republic and with the approval of the government of the Slovak Republic, the IMF mission visited Slovakia from 23 March to 6 April 1998. The mission focused on evaluating current results and further development of the fiscal and budgetary policy; the monetary policy and the balance of payments; the banking sector; foreign debt, as well as the methodology of statistical reporting.

During the spring meeting of the committees of the IMF and the World Bank in Washington in

mid-April, and the annual meeting of governors of the IMF and the World Bank member countries in Washington in October, the senior representatives of the NBS took part in discussions about overcoming the consequences of the financial crises in South-East Asia and Russia; about improving the structure of the international monetary system; supervision and liberalisation of capital movements; quota revisions of IMF member countries, and other topical matters. During these meetings, bilateral talks with representatives of the IMF and the World Bank also took place, as well as talks with representatives of other international financial institutions.

Consultations with the Slovak Republic, which are conducted according to Article IV with each member country once a year, pertaining to the most important aspects of development of economic policy, were held during the IMF mission from 11 to 24 November 1998. During the talks with the NBS the members of the mission were informed about monetary development in 1998, and the reasons for the switch to a floating exchange rate of the Slovak currency; the macroeconomic framework for the implementation of monetary policy in 1999; development of the banking sector, together with other current aspects of economic development in the Slovak Republic.

In meeting the commitments of the Slovak Republic towards the IMF, the NBS paid principals of IMF loans in accordance with the schedule of repayments, as well as quarterly interest payments on outstanding loans. In 1998, repayments of principal amounted to US\$ 64.38 million and US\$ 9.63 million in interest was paid.

World Bank

In April and September 1998, representatives of the NBS took part in talks with a World Bank mission in connection with preparations for a project to improve the administration of social welfare allowances; social assistance and employment in the Slovak Republic, and in connection with a World Bank loan for the project to be used by the Ministry of Labour, Social and Family Affairs and the Social Insurance Company.

In accordance with government resolution No. 288, dated 15 January 1998, the NBS paid the second part of Slovakia's contribution to the 11th replenishment of resources for the International Development Association (IDA), amounting to US\$ 1.33 million.

As part of Slovakia's commitment to the World Bank, the NBS paid interest of US\$ 11.79 million on received loans and principal of the Structural Adjustment Loan amounting to US\$ 13.86 million, in accordance with the schedule of repayments.

Export-Import Bank of Japan

In February 1998, the third Two-Step Loan from the Export-Import Bank of Japan amounting to JPY 20 billion was drawn in its entirety. Of this amount, the NBS had released by the end of year Sk 5.43 billion for 328 special projects.

Repaid funds from previously provided loans (Two-Step Loan I - III) gradually accumulate in intermediary banks as repaid principal. These funds are revolved to provide new loans. By 31 December 1998, the intermediary banks had used Sk 1.49 billion to finance 176 more projects within revolving credit lines TSL I - III.

European Investment Bank

In 1998, drawing opportunities were increased for intermediary banks taking part in the APEX Global Loan II scheme based on a contract concluded between the European Investment Bank and the NBS in 1995, to include Slovak crowns in addition to convertible currencies. Through the NBS, the European Investment Bank financed ten projects by over Sk 740 million in 1998.

During 1998, in association with financed projects, instalments were paid in accordance with payment calendars for the AGL I and AGL II loan schemes.

Bank for International Settlements

The NBS actively pursues its duties as a shareholder in the BIS. The most important relationships of the NBS are, in the long term, implemented at the highest level through the participation of the governor of the NBS at regular monthly meetings of governors of member central banks and central banks from many other countries of the world. Apart from achieving a high degree of mutual understanding and co-ordination of monetary policy on the international level, the purpose of these meetings is gradually becoming support for the formulation of additional recommendations to create sustainable preconditions for monetary and financial stability.

Based on a decision of the 68th General Meeting, the Bank for International Settlements paid dividends to the NBS on its share holdings in the fiscal year 1997/98 ended 31 March 1998, of CHF 300 per share. The total amount of dividends paid to the NBS on 1 July 1998, amounted to CHF 801,000.

The BIS maintains a database of the technical assistance and educational programmes

received by central banks of countries of Central and Eastern Europe and the Baltic countries. An annual international meeting of national coordinators of technical assistance and donors is organised in Basle, at which assistance is discussed and ideas for further development are addressed.

The NBS submits to the BIS quarterly data about the bilateral technical assistance it receives, for example from the British Know-How Fund, the Japanese JICA, American USAID, as well as assistance from the international organisations (PHARE, IMF, WB, EBRD, OECD). Data about assistance that the NBS receives from central banks of G-10 countries and Austria are sent direct to BIS by its providers.

International Investment Bank International Bank for Economic Co- operation

NBS representatives attended the spring meeting of bank boards of the IIB and the IBEC in Moscow. On 20 - 22 October 1998 the NBS organised the 91st meeting of the IBEC Bank Board and the 68th meeting of the IIB Bank Board in Bratislava.

After renewing its lending activity, the IIB in 1998 provided the first loan for a Slovak business entity of DEM 12.1 million.

Organisation for Economic Co- operation and Development

In 1998, the NBS participated regularly in meetings of committees of advisory bodies of the OECD, at which the Slovak Republic has observer status. NBS representatives attended meetings with the Secretary General of the OECD, Mr. Donald Johnston, and his deputy Mr.

Kumiharu Shigehara. Concrete steps of the new government were discussed in association with stabilisation of the economy and further liberalisation plans. The results of the talks provide a stimulus to the process of accession of Slovakia to the OECD.

NBS representatives participated in drawing up the basic document for the OECD, i.e. "Draft Response of Slovak Authorities to the Conclusions of the Chairman of the Joint Session of the CIME/CMIT committees and the Slovak Republic". In the second half of 1998, the NBS co-operated in the presentation of documentation for an OECD mission on the prepared study Economic Survey of the Slovak Republic. At the debate on this survey on 17 December 1998 at a meeting of the OECD Economic Development and Review Committee (EDCR), appreciation was expressed of the presentation of the Slovak delegation.

With regard to the timetable for the accession of Slovakia to the OECD, after consultations with the OECD, the NBS together with the Finance Ministry of the Slovak Republic formulated a new timetable of liberalisation steps for the area of capital movements.

Comments of the OECD on the exchange rate arrangements and amendments to individual banking laws are reflected in draft amendments to these laws. To accelerate the accession process, the Objections of the Slovak Republic to individual liberalisation codes of capital movements were revised. In this matter the NBS co-operated with the Finance Ministry of the Slovak Republic.

World Trade Organisation

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, it places greater emphasis on the need to create financial stability and a suitable regulatory framework and supervision of this area. In connection with talks on liberalising financial services, the Fifth Protocol to GATS was adopted and the NBS took part in the process. The Protocol was ratified by Resolution No. 925 of the Slovak Republic government, dated 23 December 1998.