

CONTENTS

ECONOMIC DEVELOPMENT IN 2000

I. WORLD ECONOMY	11
America	11
Asia	13
Europe	13
Finland and Sweden	14
Transition Economies in Central and Eastern Europe	15
Latvia and Lithuania	16
Russia	16
Financial Markets of Developed Countries	17
II. ESTONIA'S REAL ECONOMY AND FINANCIAL SECTOR	19
Real Sector	19
External and Monetary Environment	19
Financing and its Sources	21
External and Domestic Demand	22
Government Sector	24
Inflation	24
Privatisation and Other Economic Reforms	26
Financial Intermediation	26
Banking Sector	27
Securities Market and Investment Funds	30
Insurance	31

EESTI PANK IN INTERNATIONAL ECONOMIC AND FINANCIAL SYSTEM

III. INTERNATIONAL ENVIRONMENT	35
Estonia's Integration into the European Union: Policy Environment	35
Economic Policy Issues in the European Integration	35
Increase in Income – Economic Policy Priority of the European Integration	35
Real Convergence and Copenhagen Criteria	36
Price Convergence Concerns	37
Exchange Rate Policy upon Accession to the European Union	37
Economic Policy Co-operation between the European Union and Candidate Countries	38
New Enhanced Economic Policy Dialogue	39
European Central Bank and the EU Enlargement	39
International Monetary Fund as Designer of Monetary and Banking Policy Environment	40
Financial System Assessment	40
Standards and Good Practice	41
Transparent Economic Policy	41
IV. ENSURING MONETARY POLICY STABILITY	42
Estonia's Monetary Policy Consistency and Development	42
Monetary Policy Framework and Operational Possibilities	43
Reform of Monetary Policy Operational Framework	44
External-Reserves-Based Liquidity Management	44
Anticipated Implications of Reserve Requirement System Reform	46
Promoting Economic Analysis: Economic Forecasts and Research	46
Statistics: Improvement and Disclosure	47
V. BANKING POLICY AND BANKING SUPERVISION	49
Consolidation of Financial Stability	49
Updating Regulatory Framework	49
Strengthening Market Discipline	50
Domestic Co-operation	50
Disposal of Majority Holding in Optiva Pank	50
Structure of Banking Supervision	52
Co-operation with Other Supervisory Bodies and Auditors	52
Co-operation for Prevention of Money Laundering	53
Creating Unified Financial Supervision	53
Financial Sector Assessment Program	54

VI. PAYMENT AND SETTLEMENT SYSTEM	55
Development of Inter-Bank Settlement System in 2000	55
Payment Instruments	55
Cash Demand	57
Issue of Banknotes and Coins and Their Structure	57
Cash Movement	59
Introduction of New Banknotes, Cash Examination	59
VII. RESERVE MANAGEMENT	61
Investment Environment	61
Impact of Global Economic Trends	62
Foreign Exchange Reserve Investment Results	63
Investment Portfolio	63
Benchmark Portfolio	63
Real Portfolio	65
CO-OPERATION AND COMMUNICATION	
VIII. INTERNATIONAL CO-OPERATION	69
Eesti Pank's Role in European Integration	69
General Political Documents in European Integration	69
Europe Agreement	70
Accession Negotiations in 2000	70
Co-operation with European Central Bank	70
Other Co-operation Projects with European Union	71
Economic Policy Co-operation between Estonia and International Monetary Fund	71
Stand-by Arrangement and Memorandum of Economic Policies	72
Estonia's Financial System Assessment and Compliance with Standards and Codes of Good Practices	72
Co-operation in Nordic-Baltic Constituency	72
Co-operation with Other International Organisations	73
Co-operation with Other National Central Banks	73
Eesti Pank and Country Rating	74
IX. CENTRAL BANK AND PUBLIC	75
Eesti Pank's Communication Policy: Principles	75
Objectives	75
Implementation	76
Output-Related Changes in 2000	76
Analytical Materials	76
Innovations on Web Site	77
ORGANISATIONAL DEVELOPMENT	
X. EESTI PANK'S ORGANISATION	81
General Management	81
Reorganisation of Organisation and Areas of Responsibility	81
Management Supporting Activities	84
Personnel Policy	84
Training	85
Traditions and Hobbies	86
FINANCIAL STATEMENTS OF EESTI PANK FOR 2000	87
Notes to the Financial Statements of Eesti Pank	92
Independent Auditors' Report	110
APPENDICES	111
Chronicle – 2000	113
The Strategic Development Plan of Eesti Pank	118
Communication Channels of Eesti Pank	121
STATISTICS	123