

IX. INTERNATIONAL COOPERATION

REGULAR COOPERATION WITHIN EU STRUCTURES

Representatives of Eesti Pank participate in about 70 committees and working groups at the European System of Central Banks (ESCB), Council of the EU and European Commission. In 2004, Eesti Pank's executive staff and experts participated in about 300 EU committee and working group meetings. Extensive work at committee and working group level is necessary and as seen from current experience also an efficient way to take into consideration expert and political opinion from all Member States.

European Central Bank

The European Central Bank (ECB) is Eesti Pank's most significant cooperation partner in the European Union. While in 2003 Eesti Pank enjoyed a status of observer at the ECB, upon accession to the EU, Estonia became a full member of the European System of Central Banks.

Together with other governors of EU national central banks, Governor of Eesti Pank is a member of the ECB General Council. This body convenes four times a year in order to discuss economic and financial policy issues concerning all EU Member States: for example, Member States' fiscal policy, ERM II performance, ECB Convergence Report, banking policy, etc. However, euro area monetary policy decisions are taken in the Governing Council.

Daily cooperation proceeds in ECB committees, preparing the work for ECB decision-making bodies and other ECB output. Staff of Eesti Pank participates in 12 committees and numerous working groups, all in all taking part in 207 meetings in 2004.

This membership allows Eesti Pank to make its contribution to quite a few international economic and financial policy issues, e.g. the Growth and Stability Pact and the Lisbon process. All EU Member States and institutions are committed to consult with the ECB in issues within ECB's competence; Eesti Pank can contribute its opinion to the process. In addition to the legal framework, Eesti Pank's specialists help to develop a framework for monetary policy and banking infrastructure, payment and settlement systems as well as practices and regulations for collecting statistics.

PARTICIPATION OF EESTI PANK IN THE COOPERATION BODIES OF THE EUROPEAN SYSTEM OF CENTRAL BANKS

- *General Council of the ECB*
- *Accounting and Monetary Income Committee (AMICO), 2 working groups*
- *Banking Supervisory Committee (BSC), 3 working groups*
- *Banknote Committee (BANCO), 3 working groups*
- *External Communications Committee (ECCO), 2 working groups*
- *Information Technology Committee (ITC), 4 working groups*
- *Internal Auditors Committee (IAC)*
- *International Relations Committee (IRC)*
- *Legal Committee (LEGCO), 1 working group*
- *Market Operations Committee (MOC), 2 working groups*
- *Monetary Policy Committee (MPC), 3 working groups*
- *Payment and Settlement Systems Committee (PSSC), 6 working groups*
- *Statistics Committee (STC), 8 working groups*

Council of the European Union and its Substructures

Similar to other national central bank (NCB) governors, the Governor of Eesti Pank participates twice a year in the **informal meetings of the Economic and Financial Affairs Council (ECOFIN)**. In 2004, the informal ECOFIN meetings discussed global economic development and financial stability, Growth and Stability Pact reform, ways to reduce the EU administrative burden as well as preparations for the IMF Annual Meeting.

The most important structure in the Council of Ministers for Eesti Pank to participate is the **Economic and Financial Committee (EFC)** and its working groups on international economic and financial issues and coins. Representatives of the central bank participate also in the EFC extended meetings four times a year and in the meetings of ERM II members since joining the exchange rate mechanism. In 2004, the topics under discussion in the EFC included macroeconomic and financial stability issues, statistics action plan, Broad Economic Policy Guidelines (BEPGs), updating of stability and convergence programmes, Stability and Growth Pact and excessive budget deficit issues, Lisbon strategy and minting euro coins in new Member States. Apart from that a representative of Eesti Pank is also present in the Council working groups on financial services.

PARTICIPATION OF EESTI PANK IN THE COOPERATION BODIES OF THE COUNCIL OF THE EUROPEAN UNION

- *Informal ECOFIN*
- *Economic and Financial Committee (EFC), Alternates' Committee and 3 working groups*
- *Working Party of Financial Counsellors*
- *Working Party on Financial Services*
- *Statistics Working Group*

European Commission

Representatives of Eesti Pank participate in statistics, economic forecasting, payment systems, banking, coin issuance and counterfeiting, and anti-money laundering committees and working groups. Twice a year regular meetings take place with Commission experts in order to discuss Estonia's economic outlook and harmonise forecast assumptions. Throughout 2004, information was exchanged with the Commission as regards the background analysis necessary for Commission experts both to draft convergence reports and prepare Estonia for joining ERM II (see also Chapter IV "Ensuring Monetary Policy Stability"). Joaquin Almunia, European Commissioner for Economic and Monetary Affairs, visited Estonia.

The European Commission has established a working group on preparations for the adoption of the euro, which is, first and foremost, a venue to exchange information and best practice. Within the Prince Programme the Commission helps to conduct bilateral and multilateral public awareness campaigns on the euro, closer cooperation is scheduled for the next couple of years.

PARTICIPATION OF EESTI PANK IN THE COOPERATION BODIES OF THE EUROPEAN COMMISSION

- *Banking Advisory Committee (BAC), 2 working groups*
- *Committee of European Banking Supervisors (CEBS)*
- *Committee on Monetary, Financial and Balance of Payments Statistics (CMFB)*
- *Balance of Payments Committee (BOPCOM), 2 working groups*
- *Mint Directors Working Group*
- *Payment Systems Government Expert Group (PSGEG)*
- *Fraud Prevention Expert Group (FPEG)*
- *Expert Group on Economic Forecasting (EGEF)*
- *Money Laundering Contact Committee (MLCC)*
- *Euro Counterfeiting Experts Group (ECEG)*
- *Expert Group on Financial Indicators*

COORDINATION OF THE EU-ORIENTED ACTIVITIES IN ESTONIA

Eesti Pank is involved in the work of several working groups, which coordinate Estonia's EU policies. In 2004, the working groups included the Financial Services Working Group, the Lisbon Working Group, the Money Laundering Prevention Working Group, the Intergovernmental Conference Working Group (on EU Constitutional Treaty), the EU Enlargement Working Group, and the Working Group drafting Estonia's position to be presented to the European Commission, the European Court of Justice and the Court of First Instance.

As an accession country, Estonia's dialogue with the European Union constituted monitoring of Estonia and activities related to upcoming membership; as a Member State, Estonia can and has to participate in EU policies. As a small country of limited resources, Estonia has to focus its attention to most significant areas. This is why in early-2004 a strategy document on the Estonian Government's European Union policy for 2004–2006 was drawn up, outlining priorities for the coming years. Since the second half of 2004 an implementation document thereof has been put together for each EU Presidency.

As EU policies are closely interrelated, domestic cooperation has become ever more important. Vis-à-vis EU issues Estonia has chosen a decentralised model, i.e. line ministries are responsible for developing a domestic position. Eesti Pank is one of the bodies responsible. In order to coordinate positions, central authorities can implement the best possible solution, although primarily this is done via standing or temporary working groups, which also involve the private sector or NGOs, if necessary.

Usually all the problems should find a solution in the working groups at experts' level, if common understanding fails, the issue will be referred to the Council of Senior Civil Servants (CSCS). The CSCS consists of representatives of all ministries, the State Chancellery and Eesti Pank. They attempt to achieve consensus, otherwise the issue will be referred to the government level. The Government has to approve of all Estonia's positions, which will be presented to the Council of the European Union. However, in this domestic coordination scheme, the Ministry of Foreign Affairs as a central link between the Government and the Permanent Representation of Estonia to the EU plays a significant role.

In March 2005, the EU Coordination Council was set up and it will replace the CSCS. The latter will terminate its activities. Accession has brought along new functions and therefore the Council's work procedure and legal basis were to be changed.

PARTICIPATION OF EESTI PANK IN DOMESTIC COOPERATION

- *Council of Senior Civil Servants (CSCS), since 14/03/05 known as the EU Coordination Council*
- *Lisbon Working Group*
- *Financial Services Working Group*
- *Money Laundering Prevention Working Group*
- *Intergovernmental Conference Working Group (on EU Constitutional Treaty),*
- *Development Cooperation Working Group*
- *Organisation for Economic Cooperation and Development (OECD), Baltic Regional Programme Working Group*
- *Working Group for Domestic Coordination of Drafting of the EU Accession Treaty with Bulgaria and Romania*
- *Working Group Drafting Estonia's Position to be presented to the European Commission, the European Court of Justice and the Court of First Instance*
- *EU Enlargement Working Group*

COOPERATION WITH THE INTERNATIONAL MONETARY FUND

The Governor of Eesti Pank as a member of the highest decision-making body of the IMF, the Board of Governors, and Secretary General of the Ministry of Finance as an alternate member attend the IMF Annual Meeting every year. The advisory board to the Board of Governors, the **International Monetary and Financial Committee**, comprising 24 representatives elected by the IMF member countries meets twice a year. In 2004, the main topics under discussion at the Board and the Committee meetings were global economic imbalance, acceleration of economic development in poor countries and reducing their debt burden, enhancing restructuring of public debt, and development of IMF surveillance and credit lines. During both the Annual Meetings and the meeting of the International Monetary and Financial Committee (in April and September)

representatives of Eesti Pank and ministries also participate in the meetings of the Nordic-Baltic Constituency and multiple bilateral meetings with other central banks and international institutions.

Daily cooperation within the IMF is, in fact, conducted through the Nordic-Baltic Constituency. The constituency includes eight countries (Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden) that elect a representative to the Executive Board of the IMF. To participate in the daily work and decision making-process of the IMF, the Constituency coordinates the position of the eight countries on the issues handled in the Executive Board. Besides daily coordination of positions on the issues discussed in the Executive Board, the most important issues are discussed twice a year in the Monetary and Financial Committee of the Constituency and prior to that also in the Alternates' Committee. Each constituent country is represented in the Committee by a government and a central bank representative, usually by the secretary general of the ministry responsible for the IMF issues and a deputy governor of the central bank. Apart from the Committee meetings, coordinators of the Nordic-Baltic Constituency meet once a year.

In June 2004, **economic policy cooperation between Estonia and the IMF** was carried out within the framework of regular consultations applied to all member countries under Article IV of the IMF Articles of Agreement. At the beginning of the year, a World Bank mission visited Estonia to assess compliance of accounting and auditing regulation with international standards and good practice. In previous years, the IMF and the World Bank have assessed the compliance of Estonia's policy with the international standards of transparency of the financial sector and fiscal policy, and the good practices of financial sector surveillance and statistics. Assessments have generally been very positive.¹

PARTICIPATION OF EESTI PANK IN THE WORK OF THE INTERNATIONAL MONETARY FUND

- *Board of Governors of the International Monetary Fund*
- *Monetary and Financial Committee of the Nordic-Baltic Constituency and the Alternates' Committee*
- *Nordic-Baltic Constituency coordinators' meetings*

COOPERATION WITH OTHER INTERNATIONAL ORGANISATIONS

As Eesti Pank is a shareholder in the Bank for International Settlements (BIS) with 200 shares carrying voting rights, the Governor of Eesti Pank participated in the Annual General Meeting of BIS and in the regular meetings of central bank governors held six times a year on average. Representatives of the central bank also participate in the Annual Meeting of coordinators of technical cooperation organised by BIS.

With other international organisations, such as the World Bank, the European Bank for Reconstruction and Development (EBRD), the Organisation for Economic Cooperation and Development (OECD), NATO, etc. Eesti Pank communicates at the level of national working groups. At meetings with representatives of the above institutions, the task of the central bank is to brief on Estonia's economic and financial sector developments and introduce monetary policy principles.

¹ Reports on the Observance of Standards and Codes drafted in cooperation of the IMF and the World Bank as well as updated assessments of the implementation of international good practices and standards in Estonia are available on the IMF web site <http://www.imf.org>.

PARTICIPATION OF EESTI PANK IN THE WORK OF THE BANK FOR INTERNATIONAL SETTLEMENTS

- *General meeting of BIS member central banks*
- *Working meetings of central bank governors*
- *BIS Monetary Policy Working Party*
- *Meetings of Coordinators of Technical Cooperation, organised by BIS*

COOPERATION WITH OTHER CENTRAL BANKS

The annual joint Seminar of the Baltic Central Banks was held in Latvia in 2004. This time the seminar focused on central bank reserve management, translation and publishing ECB publications in national languages, preparations for participation in ERM II, and public awareness vis-à-vis the changeover to the euro. Broader issues regarding cooperation between the central banks are dealt with at the biannual meeting of deputy governors of the Baltic central banks. Last autumn, at the Baltic research seminar economists briefed each other on research projects on the use of macro models, fiscal policy, cash demand, and exchange rate and inflation related issues.

Eesti Pank maintains traditionally close working contacts with the Bank of Finland. Also in 2004, several meetings at the level of Executive Boards and experts took place. The traditional **joint seminar of Eesti Pank and the Bank of Finland** took place in Estonia. The main topics included EU integration, Finland's experience and Estonia's plans regarding practical preparations to join the euro area, integration of Nordic-Baltic financial systems and cooperation in the field of EU financial sector policy. The fact that the Estonian financial sector is closely tied to that of Sweden and Finland has brought about the need for a more extensive financial stability cooperation with the Nordic countries.

In addition to the Nordic and Baltic countries Eesti Pank's cooperation partners in 2004 included the central banks of Germany, Austria and the United Kingdom. The Governor and Executive Board members of Eesti Pank had a working meeting with both the previous and sitting Governor of German central bank as well as with their counterparts in Cyprus, Iceland, Japan, Kazakhstan, and Lithuania during state visits by the President of the Republic of Estonia. In 2004, President Horst Köhler of the Federal Republic of Germany and Finance Minister Hans Eichel paid a visit to Eesti Pank during their visits to Estonia.

Eesti Pank has in turn been willing to share its experience with other countries. In June 2004, a delegation from the Kyrgyz central bank visited Tallinn with the aim of getting a closer view of the banking sector infrastructure, primarily of the legal framework and underlying principles of the payment and settlement system. In September, representatives from the People's Bank of China visited Estonia within the framework of EU-Chinese cooperation project. They were interested in Estonia's monetary policy as well as independence and transparency of the central bank.