

## X. EESTI PANK'S ORGANISATION

In 2001 the rearrangement of the Bank's organisation with the objective of complying with the aim set in the Strategic Development Plan, operational efficiency and transparency was continued.

### GENERAL MANAGEMENT AND AREAS OF RESPONSIBILITY

**The highest governing body of the Bank is the Board of Eesti Pank. As of 5 October 2001 the powers of Mihkel Pärnoja** as Member of the Board of Eesti Pank were restored and the powers of Kalle Jürgenson as the Substitute Member of the Board were terminated. Therefore, the membership of the Board of Eesti Pank is the following: Chairman **Mart Sörg**, members **Ants Järvesaar, Kalev Kukk, Vahur Kraft, Mati Meos, Hindrek Meri, Mihkel Pärnoja, Jüri Sepp** and **Erik Terk**.

In 2001 the **Governor Vahur Kraft, Deputy Governors Rein Minka, Märten Ross** and **Andres Sutt** who commenced his term of office on 2 April, after working within the IMF and **Andres Trink, the Head of the Banking Supervision Department, comprised the Executive Management of Eesti Pank.**

Amendments to the Statute of Eesti Pank introduced on 19 December 2000 by the Board of the Bank permitted for the improvement of the management of the bank. *Inter alia*, the competence of the Governor of the Bank and the Board was changed – the share of resolutions passed by the Executive Management on the collective basis is larger today. **The Monetary Policy Committee** also commenced activities, comprising now **Vahur Kraft, Rein Minka, Märten Ross, Andres Sutt, Ilmar Lepik, Sven Meimer, Henn Oit, Rait Roosve** and **Tanel Ross**. Therefore the membership, in addition to the members of the Executive Management, includes also the heads of the departments engaged in the main areas of activity – Central Bank Policy Department, Financial Markets Department, Financial Stability Department, Cash and Security Department and International and External Relations Department. Monetary Policy Committee is responsible for **drafting solutions for monetary, economic and financial sector policy and harmonising the Bank's activity in the above issues.**

On 9 May the Riigikogu passed a resolution on **setting up an independent Financial Supervision Authority by Eesti Pank**. The new supervision agency was founded on the basis of former Banking Supervision Department and the Insurance Supervisory Authority and Securities Inspectorate which formerly were in the area of government of the Ministry of Finance.

**The Management Board** headed by **Andres Trink**, former Head of Banking Supervision Department, is responsible for the daily activities of the Financial Supervision Authority. The Council comprising, *inter alia*, Governor of Eesti Pank V. Kraft and Deputy Governor A. Sutt, supervises the activities of the Financial Supervision Authority.

In relation to the launch of Financial Supervision Authority, A. Trink was excluded from the membership of the Executive Management of Eesti Pank as of 31 December and; therefore, from **1 January 2002 the Governor V. Kraft and Deputy Governors R. Minka, A. Sutt and M. Ross are Members of the Management.**

**The Governor of Eesti Pank Vahur Kraft governs the activities of Eesti Pank.** His sole competence involves organising the work of the banking sector proceeding from the general principles of monetary and banking policy determined by the Board and supervision over the performance of the resolutions passed by the Board, as well as application of measures needed for that purpose. V. Kraft checks the work done by Deputy Governors and is responsible for supervising of management mechanisms.

**Deputy Governor Rein Minka** is responsible for co-ordinating cash-circulation-related activities, the safety of working environment, reliable, cost-efficient and integrated development of the payment and

settlement system of Eesti Pank and for the development of information technology environment and legal environment as well as for personnel management.

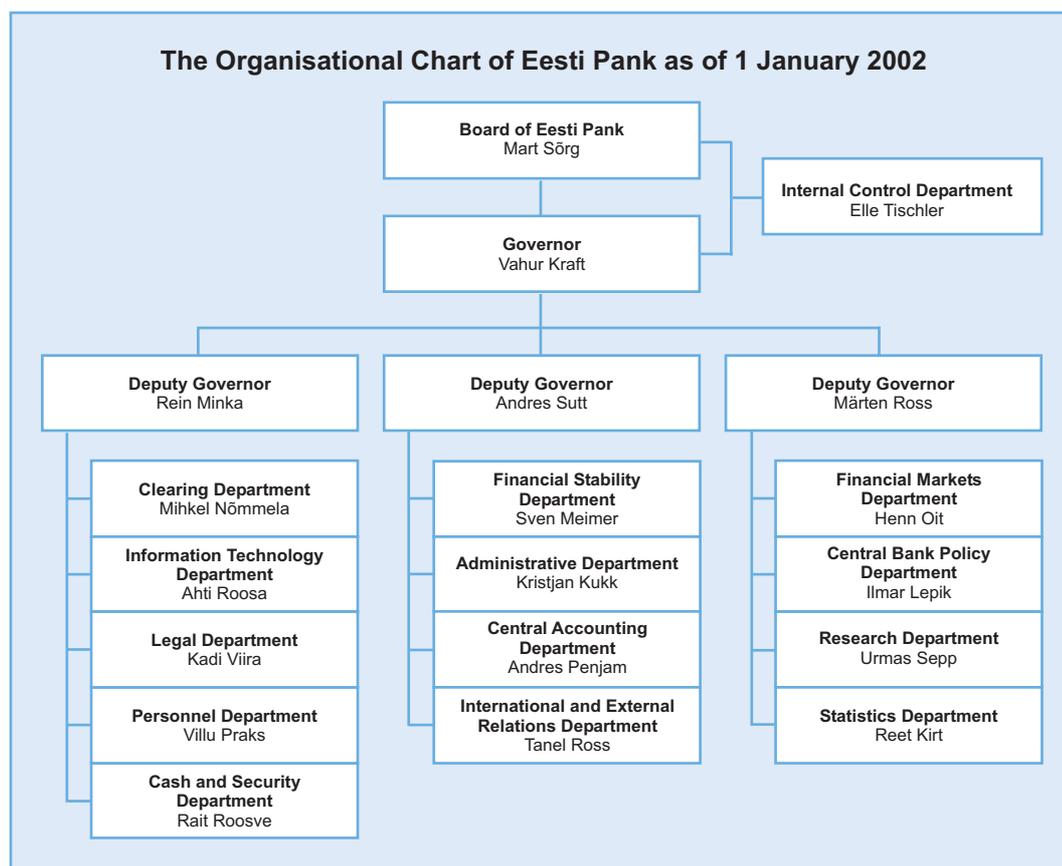
**Deputy Governor Andres Sutt** is responsible for international and public relations of Eesti Pank, elaboration and implementation of financial sector policies, collection, processing and disclosure of financial sector information, supervision and development of payment and settlement systems, as well as for financial accounting and reporting, internal administrative services and operational working environment in Eesti Pank.

**Deputy Governor Märten Ross** is responsible for the preparation and implementation of monetary policy decisions, asset management of Eesti Pank, collection, compilation and disclosure of national statistics as well as for co-ordinating economic research and activities related to in-service economic training.

## REORGANISATION OF ORGANISATIONAL STRUCTURE AND IMPROVEMENT OF MANAGEMENT ACTIVITIES

**Preparations for commencing the operation of the Financial Supervision Authority** formed a major share of the organisational reform of the Bank in 2001. Besides separating the former Banking Supervision Department from Eesti Pank the formation of Financial Supervision Authority also signified reorganisation both in the main areas of activity as well as provision of support services for the central bank.

In 2001, the number of departments in Eesti Pank decreased by four – from 18 to 14. In order to achieve the aims set in the Strategic Development Plan the **International and External Relations Department** was founded in February on the basis of International Relations Department and Public Relations Department and the **Cash and Security Department** was founded on the basis of the Cash Department and Security Department. In April the **Administrative Department** was founded based on the former Governor's Office and Establishment Department while in September the **Financial**



**Stability Department** was founded on the basis of Payment and Settlement System Department, Banking Statistics and Analysis Department and part of the Central Bank Policy Department.

From July to December **an arrangement of the management and quality system** was conducted in the Cash and Security Department. The aim of the project was to chart the activities of the department and to optimise the management and communications system and risk management proceeding from the requirements of the international quality system ISO 9001:2000. In September and October a **survey of management quality** was arranged in the Bank.

## STRATEGIC PLANNING

In 2001 **changes were introduced in the strategic planning of the Bank**. During the traditional autumn seminar the heads of departments presented their positions relating to the strategic aims of their departments during the next three years and combining those aims, **the Board of Eesti Pank prepared the Strategic Development Plan for 2002–2004**<sup>1</sup>. This document charts the Bank's main activity guidelines for meeting the aims established by the society. Essentially, the development plan expresses the agreement between the central bank and the society.

In 2001 the development of the **management accounting** was continued proceeding with the identification of costs of main field and support activities commenced in the previous year. Identification of the **costs of main field and support activities** and **the calculation of the price of the services of the units providing support services** became especially acute upon the founding of the Financial Supervision Authority to which Eesti Pank's departments engaged in providing support services commenced provision of services from 2002.

New **accounting information system** implemented in November permits to obtain reports with structure and division better applicable in **management accounting**.

## EESTI PANK'S EMPLOYEES

### PERSONNEL POLICY

**While recruiting** for managerial and other responsible positions **a competency model for the position** was used as an innovation. Using the support of an external partner, the compliance of the candidates' competence and development potential with the model was assessed. The new method was widely applied as in relation to the structural reorganisation several **internal competitions** for the newly created positions were arranged in the Bank. Within the framework of the valid **career and development policy** several bank employees received opportunities for vertical as well as horizontal career development.

One of the requirements governing the policy of **compensation of the employees** is the annual comparison of the salaries in the Bank with those in the competing labour market. The comparison conducted in 2001 revealed that the salary level in the Bank comprises with the principles established in the compensation policy, which is the median salary of the financial sector employees in Tallinn. The reliability of the salary comparison is confirmed by the fact that the Bank's salary system is based on the consistent evaluation of positions on the basis of internationally approved methodology.

The Board of Eesti Pank amended the terms and conditions governing provision of housing, consumer and study loans to the bank's employees, as by the amendment of the Central Bank Act the prohibition to take loans from credit institutions formerly established for the central bank employees was annulled. In changing the terms and conditions, the cost benefit principles and the conditions on the loan market were primarily taken into account.

**By the end of 2001 Eesti Pank had 257 employees, 19 employees were either on maternity leave or their contract was suspended for more than 4 months.** On 1 January 2002, 23 employees who as of the end-year had worked in the Banking Supervision Department left Eesti Pank in order to commence work in the Financial Supervision Authority.

<sup>1</sup> See Appendices, pp 118–119.

**Labour turnover** in 2001 was **7.16%**. The turnover is calculated as the ratio of the number of the employees left during the year to the average number of employees. **Labour stability** in 2001 was **94.6%**. Stability shows the ratio of the employees having worked for at least one year by the beginning of the year to the number of employees with whom an employment contract had been concluded a year ago.

## TRAINING

Eesti Pank is developing a personnel policy characteristic of the learning or knowledge-based organisation facilitating **consistent self-education** and **in-service training**.

The year 2001 also set several new tasks related to the professional training of the employees. Changes in the external environment necessitated the training related to the introduction of euro cash. The Bank of Finland, the European Central Bank and Deutsche Bundesbank disseminated their know-how and experience on these issues. Specialists of Eesti Pank, in turn, successfully disseminated the knowledge obtained during training abroad at the extensive Estonian training programmes – the employees of the central bank having received training in the European Central Bank were the main trainers of cash specialists and tellers of the commercial banks in the issues related to euro cash.

Intra-bank changes were accompanied by extensive **management training**. Here Eesti Pank cooperated with the Bank of England and its lecturers-practicians. Arrangement of a course in strategic management specifically for Eesti Pank deserves mentioning due to the fact that usually such courses are arranged on the regional basis, ie simultaneously for several central banks.

Training of a more traditional character was continued in other fields – in economic theory and issues related to central banking and supervision of monetary market and financial sector. Communication theory, foreign languages, computer science etc were also studied. More than 80% of the bank's employees received training in 2001.

The organisation of training also saw some changes:

- a training agreement between an employee and the Bank was applied providing the Bank with additional guarantees for maintaining valuable know-how;
- commencing studies aimed at acquisition of research degree was facilitated using study loans.

As of October 2001, 41 bank's employees were taking master or doctorate studies in various universities. Eesti Pank's specialists are also highly valued lecturers. They often receive offers to hold separate lectures and lecture series, while the range of issues addressed is not limited to economy and financial sphere.

In 2001 a start was made with regular promotion of economic research in the form of seminars. A number of foreign experts came to Estonia to discuss their work. The majority of these specialists came from neighbouring countries Finland and Sweden while specialists from Hong Kong, Hungary, Austria etc also made their presentations. Seminars addressing various aspects of the preparedness of the applicant countries for the EU accession became popular.

## HOBBIES AND TRADITIONS

Eesti Pank's employees are fond of sports. Eesti Pank **Sports Club** has 140 members. Aerobics, body building, basketball, wall tennis, tennis, swimming and water aerobics are among the more preferred fields of sport. Traditional family sports days were held in winter and in summer in Mõedaku, an inter-department basketball day was organised, canoeing was practised in Soomaa and cycling on the roads of Saaremaa and Hiiumaa.

As usual, competitions were held outside the Bank as well. For the first time the basketball team of Eesti Pank won the first prize at the basketball tournament of the Estonian Banking Association. During the meeting of the sports and cultural managers of the European central banks in Portugal an agreement was reached concerning the joint events during the next two years.

2001 was the fourth year of existence for Eesti Pank's **Chamber Choir**. By April 2002 the choir had 31 members. Besides the events arranged in the Bank, the choir performed in several cities in Estonia, while the most relevant event of the year was the Festival of Advent and Christmas Music in Hungary.